



**UK Trade & Investment**

**International Business Strategies, Barriers &  
Awareness Monitoring Survey 2013**

**Research Report**

**July 2013**

**JN: 4351**

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# 1. Executive Summary

UKTI's International Business Strategies, Barriers, and Awareness Survey is a telephone-based survey with a random representative sample of 950 internationalising UK firms who are exporting or intending to begin doing so within the next year. Respondents include users and non-users of UKTI.

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

## 1.1 Awareness & Use of UKTI

Awareness of the UKTI name itself stands at 62%, although 75% of internationalising firms had heard of either UKTI or the commercial services provided by overseas embassies and consulates.

However, only half (51%) of firms knew that UKTI provides assistance to help UK firms do business overseas (i.e. UKTI's role). This suggests that as well as focusing on increasing awareness of the UKTI name, it is also important that UKTI's marketing seeks to improve understanding of what the organisation actually does.

Not all UKTI users had actually heard of 'UK Trade & Investment', with 9% having used the services provided by overseas posts but not realised the link to UKTI.

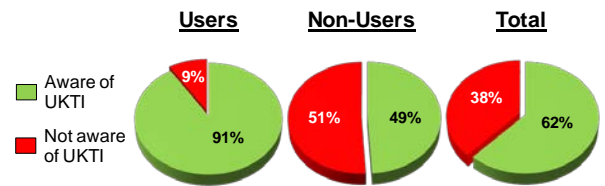
Only 49% of non-users recognised the UKTI name, and just a third were aware of its role. This clearly demonstrates that there are many internationalising firms that could benefit from UKTI's services but have either never heard of the organisation or do not equate it with export support.

Awareness of UKTI and its role is lowest among micro SMEs, and those that have only started exporting within the last 2 years. Encouragingly, awareness of UKTI is fairly high amongst firms that have not yet started doing business overseas (but plan to in the next year), indicating that significant numbers of these firms do know that there is support out there to help them get started overseas.

Although not shown in the chart, there is clear evidence that innovative, IP active and growing firms are all more engaged with UKTI, with awareness and usage levels significantly higher amongst these groups.

At the total level, awareness of the UKTI name has risen significantly over the last year, continuing the upward trend seen since 2010.

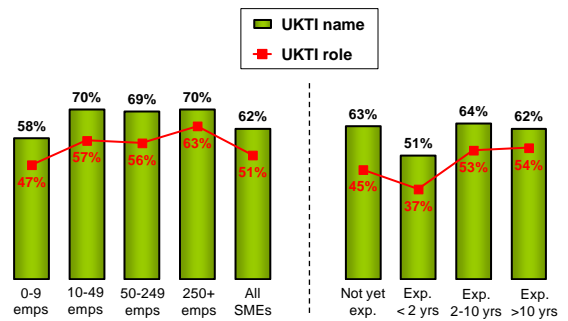
### Awareness of UKTI



	Users	Non-Users	Total
Aware of services provided by posts	90%	41%	56%
Aware of either (UKTI or posts)	100%	64%	75%
Aware of UKTI role	90%	33%	51%
Used UKTI (or posts) services	100%	0%	31%

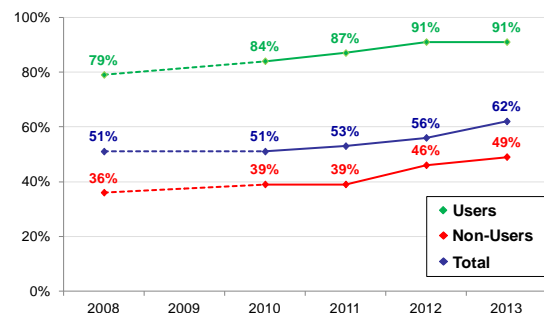
Base: All firms – Users (303), Non-Users (647), Total (950)

### Awareness – By Size & Overseas Experience



Base: All firms 0-9 (587), 10-49 (227), 50-249 (68), 250+ (63), 0 yrs (97), <2yrs (117), 2-10 yrs (368), >10 yrs (351)

### Awareness of UKTI Name – Over Time



## 1.2 Business Profile & Growth

UKTI users tend to be older than non-users. They are also significantly larger in terms of both employee numbers and annual turnover, although it should be noted that more than half of UKTI users still have less than 10 staff.

There are no differences between user and non-users when it comes to the broad sector in which they operate

Most UKTI clients are on an upwards growth trajectory. Overall, 23% have grown 'substantially' over the last 5 years (with a further 43% reporting 'moderate' growth) and 31% are planning 'substantial' growth for the next 5 years (with 52% expecting 'moderate' growth).

UKTI users also tend to have a positive outlook when it comes to the development of their overseas business. Over half (59%) expect to enter new markets over the next 3 years and a similar proportion (57%) anticipate that export sales will become more important to their business, in terms of the proportion of turnover that they account for.

The majority of firms accessing UKTI support have a clear senior management strategy for achieving their overall growth objectives for the business and for developing their overseas business, and half have a current business plan that includes targets for overseas revenues.

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

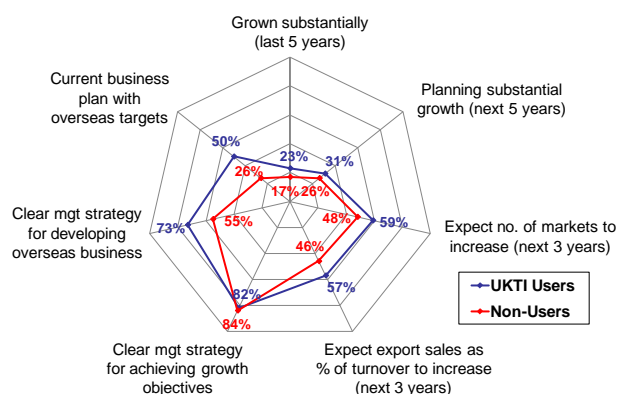
There is also evidence that users are strategically better placed to expand overseas than non-users; they are more likely to have a clear management strategy for developing their overseas business and to have a written business plan containing overseas targets

Overall, there has been little change in the growth aspirations of internationalising firms over the last 4 years. .

### Business Profile

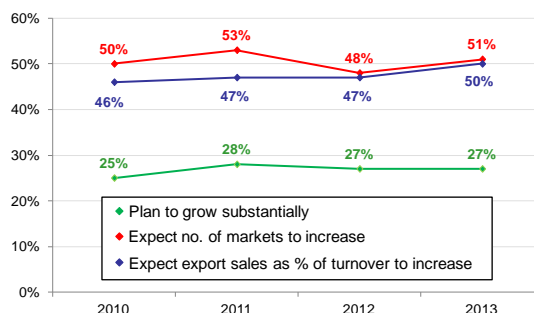
	Total	UKTI Users	Non-Users
<i>Base</i>	950	303	647
<b>Age</b>	0-5 years	16%	18%
	6-10 years	23%	23%
	Over 10 years	60%	57%
<b>Sector</b>	Production	37%	36%
	Services	63%	64%
<b>Size (employees)</b>	0-9 employees	64%	68%
	10-249 employees	35%	31%
	250+ employees	0%	0%
<b>Size (turnover)</b>	Up to £500k	38%	43%
	£500k - £2m	23%	20%
	£2m - £10m	17%	14%
	£10m - £25m	3%	3%
	£25m - £500m (MSB)	2%	2%
	Over £500m	0%	0%

### Growth & Strategy



Base: UKTI Users (303); Non-Users (647)

### Business Growth – Over Time



	UKTI Users				Non-Users			
	2010	2011	2012	2013	2010	2011	2012	2013
Plan to grow substantially	31%	29%	32%	31%	23%	27%	25%	26%
Expect mkts to increase	63%	64%	52%	59%	45%	49%	47%	48%
Expect export t/o to increase	56%	52%	53%	57%	42%	44%	44%	46%

Most firms are primarily looking at their existing markets and their existing products/services when it comes to achieving their growth objectives.

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

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

Over three-quarters of internationalising firms are currently making an annual profit, and the average profit margin is 14%.

There is a clear relationship between overseas activity and financial performance, with experienced exporters significantly more likely to be profitable (particularly in comparison to firms that have not yet started exporting).

It is also the case the foreign-owned firms are less likely to be making a profit than UK-owned businesses, and also have a lower average profit margin.

Many internationalising firms make a profit 'immediately' upon entering a new market. Presumably this typically relates to firms that 'enter' a market simply by selling a good/service to a customer based there, rather than adopting a more strategic, investment-heavy approach to establishing a market presence.

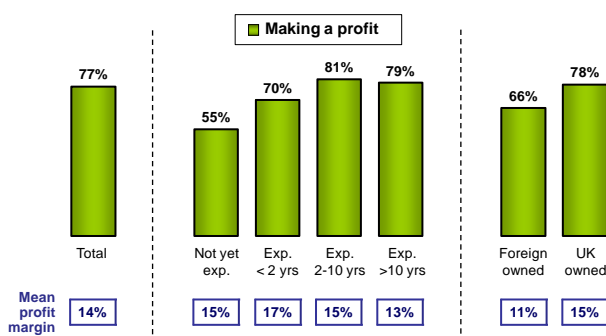
The larger the firm is, the longer it takes to see a profit, perhaps reflecting the greater investment that larger firms make when entering new markets.

However, firms with at least 2 years overseas experience are more likely to make a profit immediately on entering a new market.

## Role of Overseas Markets in Achieving Growth

Whether growth objectives will mainly be achieved through...	Total	Growth Objectives		
		Stay same	Moderate	Substantial
Base	875	116	486	273
New countries	43%	26%	40%	56%
Existing countries	89%	91%	90%	87%
New Customers	80%	61%	81%	87%
Existing customers	67%	80%	67%	62%
New products/services	52%	35%	52%	62%
Existing products/services	80%	85%	79%	78%

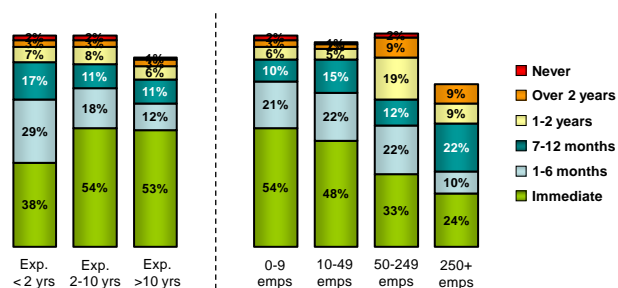
## Link Between Overseas Experience & Profitability



Base: Total (950), Not exp (97), < 2 yrs (117), 2-10 yrs (368), >10 yrs (351), Foreign (101), UK (848)

## Time Required to Make Profit in New Markets

How long did it/will it take to make a profit in the last market you entered?



Base: All exporters - < 2 yrs (119), 2-10 yrs (368), >10 yrs (351), 0-9 (507), 10-49 (215), 50-249 (66), 250+ (63)

### 1.3 Innovation

One of the most notable differences between users and non-users of UKTI services is in the area of innovation. The former are significantly more likely to be classed as ‘innovative’, particularly when the alternative, tighter definition is employed.

UKTI users are also more inclined to obtain patents, trademarks or other legal protection for their products and services, and hence be defined as ‘IP active’.

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

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

UKTI clients are comparatively more likely to focus their product/service development activity on overseas markets (95% vs. 80% of non-users).

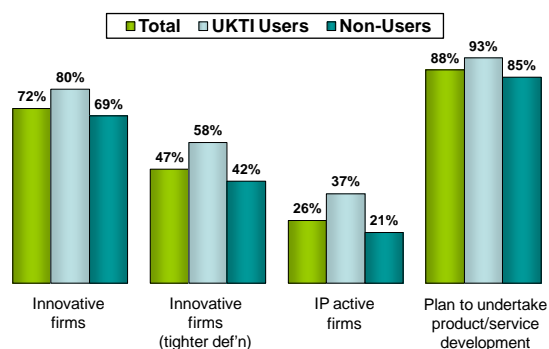
### 1.4 Overseas Activity & Experience

It is clear that UKTI users tend to have significantly greater overseas experience than non-users. They have been operating overseas for longer, are typically active in a greater number of markets, and export sales account for a significantly higher proportion of their total turnover.

However, that is not to say that all UKTI clients are experienced exporters, with 12% having been doing business overseas for less than 2 years. Furthermore, a third indicate that overseas sales contribute less than 10% of their annual turnover and a similar proportion are selling to 5 markets or less.

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

### Innovation



Base: Users (303), Non-Users (647), Total (950)

### Focus of Product/Service Development

	Total	UKTI Users	Non-Users
<i>Base: All planning NPD</i>	839	281	558
UK customers	15%	4%	20%
Overseas customers	6%	10%	5%
Both	79%	86%	75%
<i>Net: UK customers</i>	94%	90%	95%
<i>Net: Overseas customers</i>	85%	95%	80%

### Overseas Experience

	Total	UKTI Users	Non-Users	
<i>Base</i>	950	303	647	
<b>Years exporting</b>	Less than 2 years	20%	12%	24%
	2-10 years	41%	40%	42%
	Over 10 years	37%	47%	32%
<b>Intermittent exporters</b>	Yes	18%	12%	20%
	No	81%	86%	78%
<b>Number of markets</b>	None	9%	6%	11%
	1-5 markets	41%	25%	49%
	6-10 markets	19%	21%	18%
	Over 10 markets	29%	46%	22%
<b>Overseas sales (% of turnover)</b>	Up to 10%	50%	33%	57%
	11-25%	12%	17%	10%
	26-50%	11%	16%	9%
	Over 50%	21%	31%	17%

It is undoubtedly the case that larger firms and those with more overseas experience tend to be active in a greater number of markets.

However, it is also clear that export development patterns are diverse. A significant minority of very recent exporters are already selling to a wide range of markets and, conversely, many long-established exporters still have fairly limited overseas operations.

A similar picture is seen when it comes to the overseas regions which firms are selling to. Firms that have been exporting for longer and those with more employees are significantly more likely to be selling to most of the five regions. The exception to this is Europe, where there is less difference by size and experience, suggesting that firms tend to target European markets when they first start selling overseas.

However, the diversity of firms' export development should again be noted. A third of very recent exporters with less than 2 years overseas experience are already selling to markets in North America, Middle East/Africa and Asia Pacific. Similarly, significant proportions of micro SMEs are also active in these geographic regions.

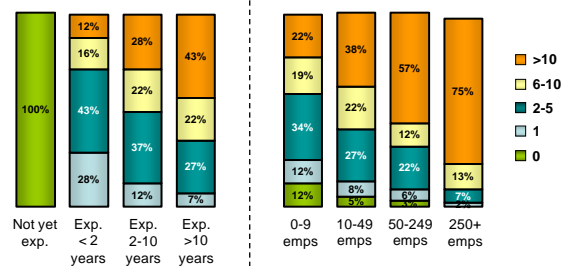
Two-fifths (43%) of internationalising firms are already doing business in at least one high growth market (HGM), and most of the remainder feel that they are very or quite likely to do so in the next 2 years. In terms of specific markets, the UAE is felt to represent the best opportunity but firms are least enthusiastic about doing business in Mexico and Brazil.

Approaching two-thirds of UKTI users are already active in one of these markets, compared to just a third of non-user firms.

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

Since 2010, there has been a significant decline in the proportion of firms selling to HGMs, although this has stabilised over the last year. However, this is largely down to a significant increase in the number of UKTI users active in these markets, and the proportion of non-users selling to HGMs continues to fall.

## Export Development Patterns – No. of Markets

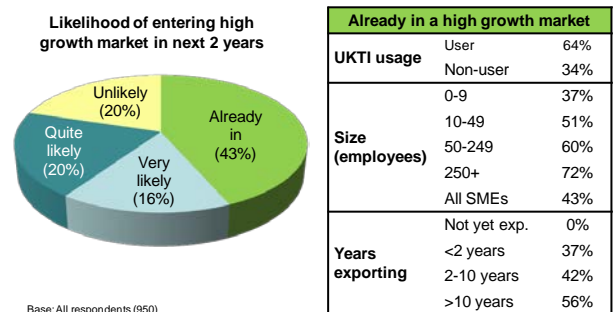


Base: Not exp (97), <2 yrs (117), 2-10 yrs (368), >10 yrs (351), 0-9 (587), 10-49 (227), 50-249 (68), 250+ (63)

## Export Development Patterns – Regions

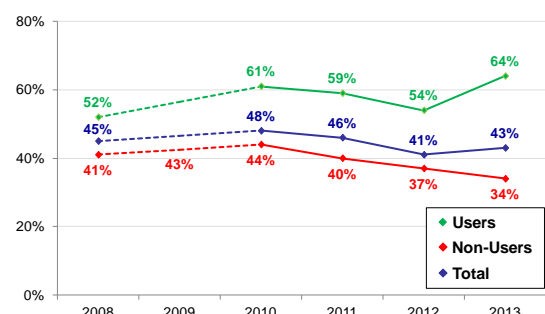
	Years Exporting			
	Not yet exp.	< 2 yrs	2-10 yrs	>10 yrs
<b>Base</b>	97	117	368	351
Europe	0%	83%	92%	94%
North America	0%	36%	45%	60%
South & Latin America	0%	10%	21%	34%
Middle East & Africa	0%	35%	51%	62%
Asia Pacific	0%	35%	47%	59%
Not yet exporting	100%	0%	0%	0%
	Size (Employees)			
	0-9	10-49	50-249	250+
<b>Base</b>	587	227	68	63
Europe	78%	92%	90%	94%
North America	41%	53%	56%	64%
South & Latin America	17%	32%	37%	51%
Middle East & Africa	43%	56%	62%	78%
Asia Pacific	40%	53%	64%	87%
Not yet exporting	12%	5%	3%	0%

## Export Development Patterns – HGMS



Base: All respondents (950)

## Proportion Selling to HGMS – Over Time



The vast majority of internationalising firms sell direct to businesses or individuals overseas. However, a significant minority also adopt more 'advanced' modes such as setting up overseas sites and approaching half of all firms (46%) use two or more different modes when doing business overseas.

Most firms with overseas sites classify these as sales/service delivery offices (9% of all firms), with a relatively small proportion operating overseas manufacturing/assembly sites (3% of all firms)

It should be noted that 4% of internationalising firms are 'web only' exporters, in the sense that they do not sell overseas through any other channel and do not use any other internationalisation modes.

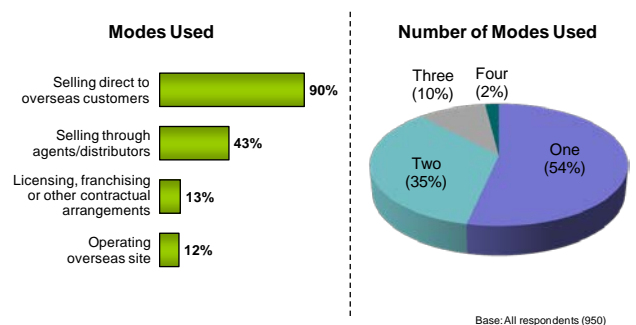
UKTI clients are significantly more likely than non-users to sell through agents/distributors, use contractual arrangements and operate their own overseas sites.

Aside from a dramatic jump in the proportion using agents/distributors between 2008 and 2010, there has been little change in the proportion of firms using each of the internationalisation modes over time. There has been a small but steady rise over the past 5 years in the proportion using contractual arrangements, but this appears to have levelled off in 2013.

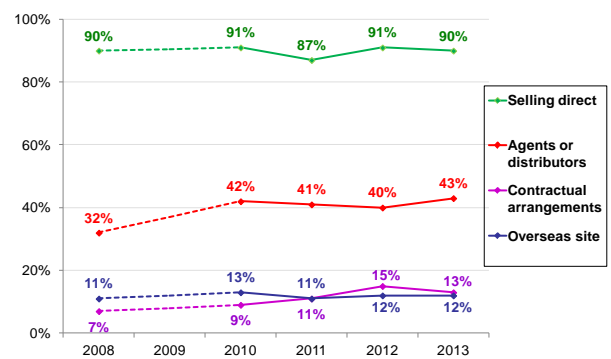
There is clear evidence that outward investment is associated with more intensive export activity. Generally, the longer a firm has been exporting, the greater the importance of export sales to the business and the more markets they are selling to, the more likely they are to operate overseas sites.

However, it is interesting to note that a relatively high proportion of firms that have not yet started selling overseas are planning to set up an overseas site in the next year (so this will presumably be one of the first internationalisation modes they adopt).

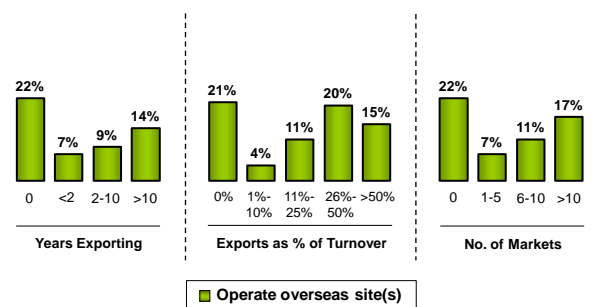
### Internationalisation Modes



### Internationalisation Modes – Over Time



### Outward Investment & Exporting



Base: 0 yrs (97), <2 yrs (117), 2-10 yrs (368), >10 yrs (351), 0% (124), 1-10% (345), 11-25% (109), 26-50% (107), >50% (201), 0 mkts (97), 1-5 mkts (374), 6-10 mkts (176), >10 mkts (295)

## 1.5 Overseas Business Risks

Overall, 63% of firms have been put off from entering an overseas market due to the risks involved. The risk of not being paid (in full or on time) is the most significant deterrent to overseas expansion, but all of the individual risks tested have a significant impact on the behaviour of internationalising firms, with at least 22% reporting that they have decided against market entry because of each one.

When asked specifically about the risks involved in the BRIC markets and Mexico, firms were most concerned about doing business in Russia, with 54% describing it as very or fairly risky. This was followed by Mexico (46%), China (41%) and then Brazil and India (each 36%).

In each case, firms that were already doing business in these markets were much less concerned about the risks involved. For example, only 11% of firms already selling to Brazil felt that it was a very or fairly risky market, compared to 39% of those not doing business there.

This might suggest that some firms are being deterred by a perception that these markets are high risk when the reality may not be as bad as they fear. However, we currently have no evidence to this effect and it may simply be that the circumstances of firms operating in these markets differ from those that are not, leading to different exposure to risks.

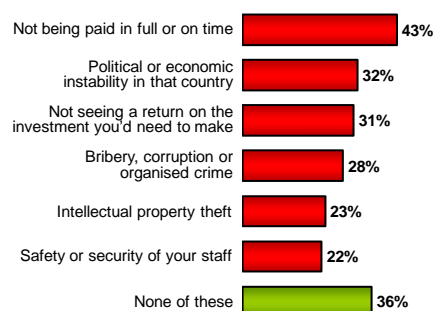
## 1.6 Barriers to Overseas Trade

Almost two-thirds of exporters have experienced at least one significant barrier, confirming that there is a clear need for external assistance to help firms overcome these barriers and successfully trade overseas. Reflecting the results from previous UKTI studies, legal and regulatory barriers prove the most common barrier experienced, followed by customs and contacts barriers.

While it might be expected that larger firms and more experienced exporters are less likely to experience barriers due to their greater resources and/or knowledge, in fact the opposite is true and these groups are more likely to report barriers.

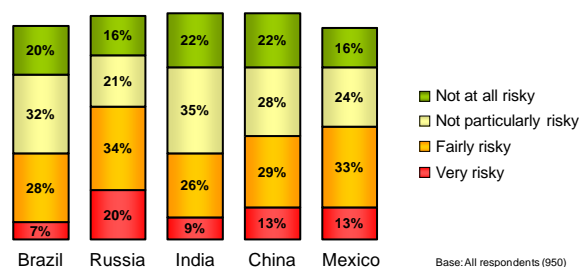
Firms with 'substantial' growth aspirations are also more likely to encounter significant barriers, suggesting that they are most in need of support to enable them to fulfil their growth ambitions.

## Risks Deterring Firms From Entering Markets



Base: All respondents (950)

## Risk Perception of Key Markets



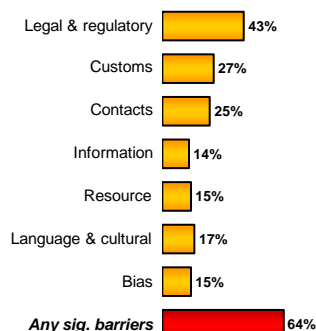
Base: All respondents (950)

## Risk Perception by Whether Active in Market

	Doing business in Brazil		Doing business in Russia		Doing business in India		Doing business in China		Doing business in Mexico	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Base	111	824	113	778	180	764	178	763	78	855
Very risky	2%	8%	10%	22%	4%	10%	7%	14%	3%	14%
Fairly risky	9%	31%	28%	36%	17%	29%	21%	30%	18%	35%
Not particularly risky	49%	30%	36%	18%	38%	35%	25%	29%	42%	23%
Not at all	38%	18%	25%	15%	39%	19%	45%	18%	32%	15%
Don't know	2%	13%	1%	10%	2%	7%	2%	10%	5%	13%

## Barriers to Overseas Trade

### Significant Barriers Experienced



Any Significant Barriers		
Size (employees)	0-9	63%
	10-49	63%
	50-249	67%
	250+	79%
Years exporting	All SMEs	64%
	<2 years	62%
	2-10 years	61%
Growth objectives	>10 years	67%
	Substantial	70%
	Moderate	65%
	No growth	53%

Base: All exporters (855)

## 1.7 Conclusions

- Awareness of the UKTI name among internationalising firms has increased over the past 3 years, but is still relatively low at 62%. This falls to just 49% among firms that have not used UKTI services (i.e. potential new clients).
- Furthermore, some firms recognise the UKTI name but have no knowledge that the organisation provides assistance to help firms do business overseas – only 51% of internationalising firms (and just 33% of non-users) are aware of UKTI's role.
- Driving up awareness of the organisation and its remit should be a key priority, particularly given UKTI's target of assisting 50,000 individual firms a year by 2015. To this end, it should be recognised that awareness levels are lowest among micro SMEs and very recent exporters, who potentially have the greatest need for assistance.
- Most UKTI clients are on an upwards growth trajectory, with the majority having grown over the past 5 years and anticipating further growth over the next 5 years. Overseas business clearly plays a significant role in these growth expectations, with most UKTI users planning to enter more markets over the next 3 years and to increase the proportion of their turnover accounted for by overseas sales.
- UKTI users are considerably more dynamic than non-users firms, particularly in regards to their overseas growth. They are also more strategic in their approach, in the sense that they are more likely to have a clear management strategy for developing their overseas business and more likely to have a business plan containing overseas targets.
- There is a clear relationship between overseas activity and financial performance, with experienced exporters significantly more likely to be profitable (particularly in comparison to firms that have not yet started exporting).
- There are strong links between exporting and innovation. The vast majority of internationalising firms intend to undertake product/service development in the next few years, and this activity is typically targeted at both UK customers and overseas customers. It should be noted that UKTI clients are significantly more likely to be innovative and IP active than non-users.
- As might be expected, larger firms and those with more overseas experience tend to be active in a greater number of markets. However, export development patterns are extremely diverse; some micro SMEs are active in many different markets and regions, while some large firms only operate in a few overseas countries.
- Approaching half of exporters (43%) sell to at least one high growth market. These markets are not solely the preserve of larger, more established exporters – over a third of micro SMEs and firms with less than 2 years export experience are active in high growth markets.
- Although the vast majority of firms sell direct to overseas customers, almost half (46%) also adopt other internationalisation modes such as using agents/distributors, licensing/franchising or setting up overseas sites. Outward investment is strongly associated with more intensive export activity; the more overseas experience a firm has and the more markets it is doing business in, the more likely it is to operate overseas sites.
- Two-thirds of firms (63%) have been put off from entering an overseas market due to the risks involved. The risk of not being paid (in full or on time) is the most significant deterrent to overseas expansion. Russia is perceived as the most risky of the BRIC markets.
- The majority of exporters (64%) have encountered significant barriers to their overseas development. Barriers are common among all types of firm, irrespective of size or overseas experience. This illustrates the need for effective external assistance to help firms overcome these barriers and successfully trade overseas.

## 2. Introduction

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

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

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

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

The 2013 survey provides new, interesting and robust evidence on:

- Awareness of what UKTI does (in addition to simple recognition of the UKTI name);
- The proportion of exporters making a profit, and the typical profit margins;
- The time taken to make a profit in new overseas markets;
- Importing and overseas supply chains.

It also continues to track the following key areas:

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

### 3. Research Objectives

In terms of the specific research aims, the 2013 Internationalisation Survey was required to provide robust evidence to:

- Understand the role of international markets in business development strategies, including effects on growth, profitability, innovation and investment in R&D and new product development;
- Identify the extent to which engagement in international supply chains or in international collaborations may impact on business performance, innovation or investment in R&D or new product development;
- Track use of diverse modes of overseas business among internationalising UK businesses;
- Track awareness of, and potential interest in, selected emerging and high growth markets;
- Understand the barriers and risks encountered by UK businesses in seeking to develop overseas business, and what impact these may have on export market entry, both for new exporters and for firms seeking to enter new markets;
  - The survey should also seek to identify how these barriers and risks may vary across markets and by firm characteristics, such as innovation, size and export experience.
- Track awareness and use of UKTI support, including government support relating to intellectual property issues associated with doing business overseas;
- Capture evidence about the characteristics of users and non-users of UKTI services, including innovation activity, scope of international business and modes of internationalisation.

This study built on the five previous survey waves, replicating the previous methodology so as to provide consistent year-on-year data, whilst developing the previous questionnaire to ensure that the 2013 objectives were fully addressed.

## 4. Methodology

The research was conducted via quantitative CATI<sup>1</sup> interviews, administered by a specialist team of business-to-business researchers with extensive experience of conducting similar studies with this type of audience.

### 4.1 Coverage

A total of 950 interviews were conducted with a random sample of firms involved in overseas business activities, covering the full range of internationalisation modes such as selling to overseas customers directly, selling through agents or distributors, doing business overseas via licensing, franchising and other contractual agreements, and operating overseas sites. Whilst data was also collected on import activity, only those firms also involved in other overseas business activities were eligible for interview.

The majority of the sample (855 of the 950 interviews) were involved in at least one of these forms of internationalisation at the time of the interview, although a small number (95) were not yet doing business overseas. However, to be eligible for the study firms had to indicate that they were planning to start selling overseas in the next year.

### 4.2 Sample Design

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

The initial sample frame was sourced from a Companies House-based list provided by Market Location. In order that the incidence within the sample frame of firms eligible for interview (i.e. engaging in international business activity) was kept to within sensible limits, a small number of industry sectors where export propensity is very low were excluded from the initial sample frame. The exclusions were made on the basis of analysis of data from the Community Innovation Survey (CIS) on the incidence of exporting for individual industry sectors by age group<sup>2</sup>. The available data only enabled exclusions to be made at the level of 2-digit SIC codes, but a number of more detailed sub-sectors were also excluded based on both common sense and the research team's experiences of the previous surveys and pilot sessions (e.g. sub-post offices, taxi firms, dispensing chemists, etc).

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

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<sup>1</sup> Computer Assisted Telephone Interviewing.

<sup>2</sup> Based on analysis by Professor Richard Harris, University of Glasgow.

In order to ensure sufficient coverage of younger firms (including ‘born global’ exporters) we adopted a disproportionate sample design that involved stratifying the sample by 3 company age bands (0-5 years, 6-10 years and over 10 years). Firms established within the last 5 years were then over-sampled to enable robust analysis of this group (with older firms slightly under-sampled). We also included a ‘boost’ of 50 additional interviews with large firms of 250+ employees to allow more robust analysis of this group.

**4.3 Questionnaire Design**

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

Given that some of the question areas had not been covered in previous studies, an initial qualitative piloting phase was undertaken to help test and develop these questions. This consisted of a total of 4 in-depth, less-structured interviews to ensure that the new question areas made sense to respondents and covered all of the pertinent issues.

Following this qualitative phase the questionnaire was revised where necessary, and then a full ‘live’ quantitative pilot was conducted on CATI. This took place over the course of 2 days and involved OMB executives and UKTI representatives listening to ‘live’ interviews conducted by the telephone research team. Based on this session, further changes were then made to the questionnaire script prior to the start of main fieldwork. A copy of the final questionnaire is appended to this report.

**4.4 Fieldwork**

Main fieldwork was conducted between February and April 2013, and interviews lasted an average of c.20 minutes.

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

Table 4.4 Sample Analysis

<b>CATI SCREENING</b>	
Selection for CATI	15,241
- <i>Unusable: No overseas business activity</i>	9,775
- <i>Unusable: Other reason (e.g. contact details incorrect)</i>	1,140
<b>INTERVIEWS / RESPONSE RATES</b>	
Total useable sample	4,326
Interviews achieved	950
Response rate (%)	22%
Refusal rate (%)	29%

## 4.5 Analysis & Weighting

### 4.5.1 Weighting

All of the core sample data has been weighted to account for the disproportionate nature of the sample design (i.e. the disproportionate sampling by business age and the 'boost' of 250+ employee firms). The weighting regime uses data from the 2007/8 Annual Small Business Survey on the profile of UK exporters (displayed below), with the survey data weighted to the profile shown below.

Table 4.5.1 Weighting

Age	Size	UK exporters (2007/8 ASBS)	Interviewed firms	Weighting
Up to 5 years	0-249 emps	16.8%	21.2%	0.79
	250+ emps	0.01%	0.2%	0.03
5-10 years	0-249 emps	23.4%	20.6%	1.13
	250+ emps	0.03%	0.2%	0.12
More than 10 years	0-249 emps	59.5%	51.6%	1.15
	250+ emps	0.24%	6.2%	0.04

### 4.5.2 Base Size Descriptions

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

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

For example, the base description below indicates that the analysis is based on all firms that are currently exporting, the 'total' results in the chart are based on 832 firms, and 3% of these answered 'don't know' to this particular question. It also shows that the 'UKTI users' results are based on 178 firms (1% of whom answered 'don't know') and the 'Non Users' results are based on 654 firms (4% of whom answered 'don't know')

#### Example base description

Base: All currently exporting (Base, Don't know)

Total (832, 3%), UKTI Users (178, 1%), Non-Users (654, 4%)

4.5.3 Statistical Significance

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

4.5.4 Rounding

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

4.5.4 Analysis Definitions

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

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

### **IP Active Firms**

Firms have been defined as 'IP Active' if they...

- Have applied for or obtained any patents, trademarks or other legal protection for their products or services, either in the UK or overseas

### **Young, Technology Intensive Firms**

Firms have been defined as being 'young, technology intensive' if they...

- Have been established for 5 years or less
- And are classified as being innovative using the alternative (tighter) definition or are classified as IP active

### **Born Global Firms**

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

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

### **Born Global Firms (Alternative, Tighter Definition)**

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

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

## 5. Awareness & Usage

### 5.1 Awareness & Use of UKTI

All firms were asked whether, prior to the interview, they had heard of either UK Trade & Investment or the commercial services provided by British embassies and consulates overseas. If so, they were also asked whether they had ever used either of these. Those firms that recognised the UK Trade & Investment name were also asked if they were aware that UKTI provide assistance to help UK firms do business overseas (i.e. UKTI's role). The table below provides details of awareness and usage levels, at the total level and shown separately for users and non-users of UKTI.

Table 5.1.1 Awareness & Use of UKTI – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	950	303	647
<b>Aware (at least one)</b>	<b>75%</b>	<b>100%</b>	<b>64%</b>
- UK Trade & Investment or UKTI	62%	91%	49%
- Commercial services provided by embassies and consulates overseas	56%	90%	41%
<b>Aware of UKTI's role</b>	<b>51%</b>	<b>90%</b>	<b>33%</b>
<b>Used (at least one)</b>	<b>31%</b>	<b>100%</b>	<b>0%</b>
- UK Trade & Investment or UKTI	24%	78%	0%
- Commercial services provided by embassies and consulates overseas	20%	65%	0%

Overall, 75% of internationalising firms had heard of either UKTI or the commercial services provided by overseas posts. Awareness of the UKTI name stands at 62%, with a slightly lower awareness level (56%) recorded for the services provided by overseas posts.

However, although 62% of firms had heard of UKTI, only 51% were aware of the organisation's role (i.e. that it provides assistance to help UK firms do business overseas).

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

It is also worth noting that only 91% of UKTI users have actually heard of 'UK Trade & Investment' itself, meaning that 9% have used the services provided by overseas posts but not realised the link to UKTI.

Awareness of the UKTI name amongst non-users stands at 49% (although 64% have heard of either UKTI or the services provided by overseas posts). However, significant numbers of non-user firms that recognise the UKTI name still have no understanding of what the organisation does, with only 33% of non-users aware of UKTI's role. This indicates that there are many internationalising firms that could benefit from UKTI's services but have either never heard of the organisation or do not equate it with export support. It also suggests that as well as focusing on increasing awareness of the UKTI name, it is also critical that UKTI's marketing also seeks to improve understanding of what the organisation actually does.

The table below provides details of awareness and usage levels over time. Please note that there is no time series data on awareness of UKTI's role as this question was only introduced in 2013, and there is also no separate data on usage of UKTI and overseas posts available from the 2010 survey.

Table 5.1.2 Awareness & Use of UKTI – Over Time

	Internationalisation Survey			
	2010	2011	2012	2013
<i>Base</i>	902	903	900	950
<b>Aware (at least one)</b>	<b>68%</b>	<b>71%</b>	<b>70%</b>	<b>75%</b>
- UK Trade & Investment or UKTI	51%	53%	56%	62%
- Commercial services provided by embassies and consulates overseas	53%	56%	51%	56%
<b>Used (at least one)</b>	<b>27%</b>	<b>29%</b>	<b>24%</b>	<b>31%</b>
- UK Trade & Investment or UKTI	N/A	22%	18%	24%
- Commercial services provided by embassies and consulates overseas	N/A	18%	15%	20%

Awareness of the UKTI name has risen steadily since 2010 and now stands at 62%. Awareness of posts services has also risen significantly over the last year and is now back to the 56% seen in 2011.

There has also been a statistically significant increase since last year in the proportion of firms that have used UKTI services, up from 24% to 31%. This is encouraging in the context of UKTI's target of supporting 50,000 firms a year by 2015. However, it should be noted that the recent increase largely serves to return usage to the levels seen in 2011 (29%), rather than being indicative of an on-going upward trend.

As seen below, both awareness and usage of UKTI increase among firms with more employees. Older firms are also more likely to be aware of UKTI's role and to have used UKTI services, but it should be noted that there are no statistically significant differences by age when it comes to awareness of the UKTI name or of the services provided by overseas posts.

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

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
<b>Aware (at least one)</b>	<b>71%</b>	<b>73%</b>	<b>77%</b>	<b>56%</b>	<b>73%</b>	<b>73%</b>	<b>80%</b>	<b>79%</b>	<b>87%</b>	<b>75%</b>
- UKTI	57%	63%	63%	41%	59%	58%	70%	69%	70%	62%
- Posts	47%	54%	60%	40%	56%	56%	59%	51%	76%	56%
<b>Aware of UKTI's role</b>	<b>41%</b>	<b>53%</b>	<b>53%</b>	<b>25%</b>	<b>48%</b>	<b>47%</b>	<b>57%</b>	<b>56%</b>	<b>63%</b>	<b>51%</b>
<b>Used (at least one)</b>	<b>18%</b>	<b>32%</b>	<b>34%</b>	<b>15%</b>	<b>27%</b>	<b>27%</b>	<b>37%</b>	<b>44%</b>	<b>58%</b>	<b>31%</b>
- UKTI	14%	25%	26%	7%	21%	20%	31%	31%	45%	24%
- Posts	10%	21%	22%	12%	17%	17%	25%	30%	54%	20%

The following table provides analysis of UKTI awareness and usage by firms' overseas experience and shows that, in comparison to very recent exporters, firms that have been operating overseas for at least 2 years are more likely to have heard of UKTI, be aware of their role, and to have used their services. However, there is relatively little difference in awareness once firms reach this point, with levels similar for firms that have been exporting 2-10 years and those that have been exporting over 10 years.

Encouragingly, awareness of UKTI is fairly high amongst firms that have not yet started doing business overseas (but plan to in the next year), with 63% recognising the UKTI name and 45% aware that UKTI provide assistance to help UK firms do business overseas. This demonstrates that significant numbers of these firms do know that there is support out there to help them get started overseas.

Table 5.1.4 Awareness & Use of UKTI – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	97	117	214	368	351	124	345	109	107	201
<b>Aware (at least one)</b>	<b>70%</b>	<b>65%</b>	<b>67%</b>	<b>77%</b>	<b>78%</b>	<b>65%</b>	<b>68%</b>	<b>83%</b>	<b>84%</b>	<b>85%</b>
- UKTI	63%	51%	57%	64%	62%	57%	57%	71%	68%	68%
- Posts	46%	45%	45%	55%	65%	43%	48%	63%	65%	74%
<b>Aware of UKTI's role</b>	<b>45%</b>	<b>37%</b>	<b>41%</b>	<b>53%</b>	<b>54%</b>	<b>42%</b>	<b>45%</b>	<b>58%</b>	<b>62%</b>	<b>59%</b>
<b>Used (at least one)</b>	<b>19%</b>	<b>17%</b>	<b>18%</b>	<b>30%</b>	<b>40%</b>	<b>18%</b>	<b>21%</b>	<b>44%</b>	<b>43%</b>	<b>45%</b>
- UKTI	17%	13%	15%	24%	29%	14%	17%	35%	33%	34%
- Posts	9%	10%	10%	18%	28%	11%	12%	27%	25%	35%

As seen on the previous table, awareness and usage of UKTI also increase notably once overseas sales account for more than 10% of a firm's turnover. However, once exports have exceeded 10% of turnover then awareness and usage levels hit a plateau, with no notable differences between firms where exports contribute 11-25%, 26-50% or over 50% of total sales.

As shown below, there is clear evidence that once firms are active in 6 or more markets then they are significantly more likely to be aware of UKTI (or the commercial services provided by posts), be aware of the organisation's role and to have accessed UKTI support. There is also a broadly linear relationship between the number of regions firms are doing business in and their likelihood of being aware of UKTI and accessing UKTI services.

Table 5.1.5 Awareness & Use of UKTI – By Number of Markets & Regions

	Number of Markets				Number of Overseas Regions					
	0	1-5	6-10	>10	None	One	Two	Three	Four	Five
<i>Base</i>	95	374	176	295	95	226	176	172	145	136
<b>Aware (at least one)</b>	<b>70%</b>	<b>68%</b>	<b>83%</b>	<b>82%</b>	<b>70%</b>	<b>65%</b>	<b>78%</b>	<b>78%</b>	<b>80%</b>	<b>83%</b>
- UKTI	63%	53%	71%	68%	63%	52%	63%	64%	65%	71%
- Posts	46%	46%	64%	68%	46%	43%	57%	58%	72%	68%
<b>Aware of UKTI's role</b>	<b>45%</b>	<b>40%</b>	<b>59%</b>	<b>61%</b>	<b>45%</b>	<b>39%</b>	<b>49%</b>	<b>53%</b>	<b>61%</b>	<b>63%</b>
<b>Used (at least one)</b>	<b>20%</b>	<b>19%</b>	<b>34%</b>	<b>49%</b>	<b>20%</b>	<b>17%</b>	<b>29%</b>	<b>30%</b>	<b>45%</b>	<b>53%</b>
- UKTI	17%	14%	29%	35%	17%	12%	23%	25%	33%	40%
- Posts	10%	11%	18%	37%	10%	9%	16%	16%	34%	42%

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

Table 5.1.6 Awareness & Use of UKTI – By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	462	689	261	256	674
<b>Aware (at least one)</b>	<b>81%</b>	<b>78%</b>	<b>67%</b>	<b>81%</b>	<b>73%</b>
- UKTI	71%	67%	49%	68%	59%
- Posts	63%	60%	47%	68%	52%
<b>Aware of UKTI's role</b>	<b>62%</b>	<b>56%</b>	<b>35%</b>	<b>60%</b>	<b>47%</b>
<b>Used (at least one)</b>	<b>38%</b>	<b>34%</b>	<b>22%</b>	<b>45%</b>	<b>25%</b>
- UKTI	31%	28%	14%	37%	19%
- Posts	25%	22%	14%	30%	16%

Awareness and usage of UKTI is also highest among firms that plan to grow over the next 5 years, which is encouraging given that this group are most likely to need assistance to achieve their growth ambitions. Awareness of UKTI peaks amongst innovative high-growth firms (82%), a key group for UKTI.

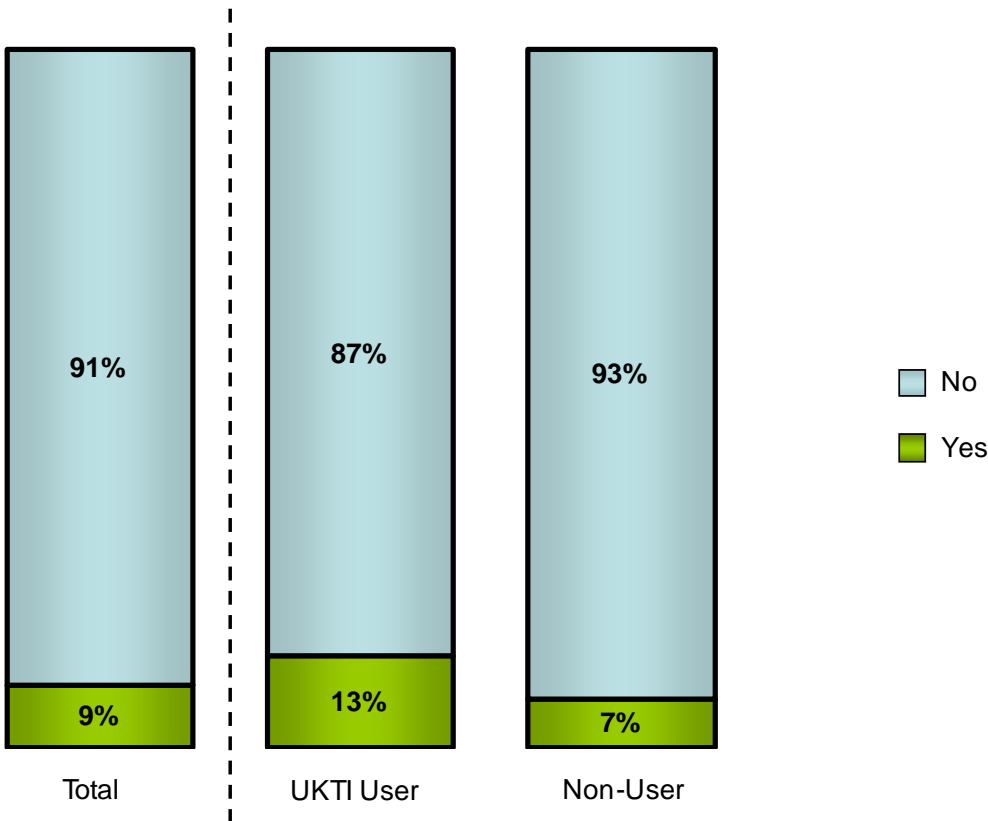
Table 5.1.7 Awareness & Use of UKTI – By Innovation & Growth

	Growth Objectives			Innovation & Growth		
	Stay same	Mod. growth	Sub. growth	Innovative		Non innovative
				Expect sub. growth	Other	
<i>Base</i>	116	486	273	215	474	261
<b>Aware (at least one)</b>	<b>62%</b>	<b>77%</b>	<b>78%</b>	<b>82%</b>	<b>77%</b>	<b>67%</b>
- UKTI	41%	64%	67%	72%	64%	49%
- Posts	51%	56%	58%	63%	58%	47%
<b>Aware of UKTI's role</b>	<b>35%</b>	<b>51%</b>	<b>56%</b>	<b>62%</b>	<b>54%</b>	<b>35%</b>
<b>Used (at least one)</b>	<b>24%</b>	<b>31%</b>	<b>35%</b>	<b>40%</b>	<b>32%</b>	<b>22%</b>
- UKTI	13%	24%	28%	33%	25%	14%
- Posts	18%	19%	23%	27%	20%	14%

## 5.2 Awareness of the Intellectual Property Attaché Network

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

Chart 5.2.1 Awareness of the IP Attaché Network – By UKTI Usage



Base: All respondents (Base)  
Total (950), UKTI Users (303), Non-Users (647)

Overall awareness of this network is relatively low (9%), although this rises significantly amongst UKTI users. As seen below, there has been no statistically significant change in awareness since this question was first asked in 2012.

Table 5.2.1 Awareness of the IP Attaché Network – Over Time

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

As might be expected, awareness of the Intellectual Property Attaché Network is highest among IP active firms, although it still only stands at 13%. Innovative firms are also significantly more likely to have heard of the network than their non-innovative counterparts.

Table 5.2.2 Awareness of the IP Attaché Network – By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	462	689	261	256	674
Yes	11%	10%	6%	13%	8%
No	89%	90%	94%	87%	92%

The network of Intellectual Property attachés are based in China, India, Brazil and South East Asia and it is possible to examine awareness levels among firms that are active in these markets. As seen below, awareness of the Intellectual Property Attaché Network is higher than average amongst firms that are doing business in China and India. However, only 9% of firms that sell to Brazil are aware of the network, in line with the overall average of internationalising firms.

Table 5.2.3 Awareness of the IP Attaché Network – By Key Markets

	Markets Doing Business In		
	China	India	Brazil
<i>Base</i>	178	180	111
Yes	14%	13%	9%
No	86%	87%	91%

Although there is no increase in awareness of the network among firms operating in Brazil, the table below demonstrates that firms that are selling to *any* Latin American markets do display higher than average awareness levels.

Awareness is lowest among firms that are active in between 1-5 markets, although interestingly firms that are not doing business in any overseas markets (i.e. not yet exporting) are more likely to have heard of the IP attaché network.

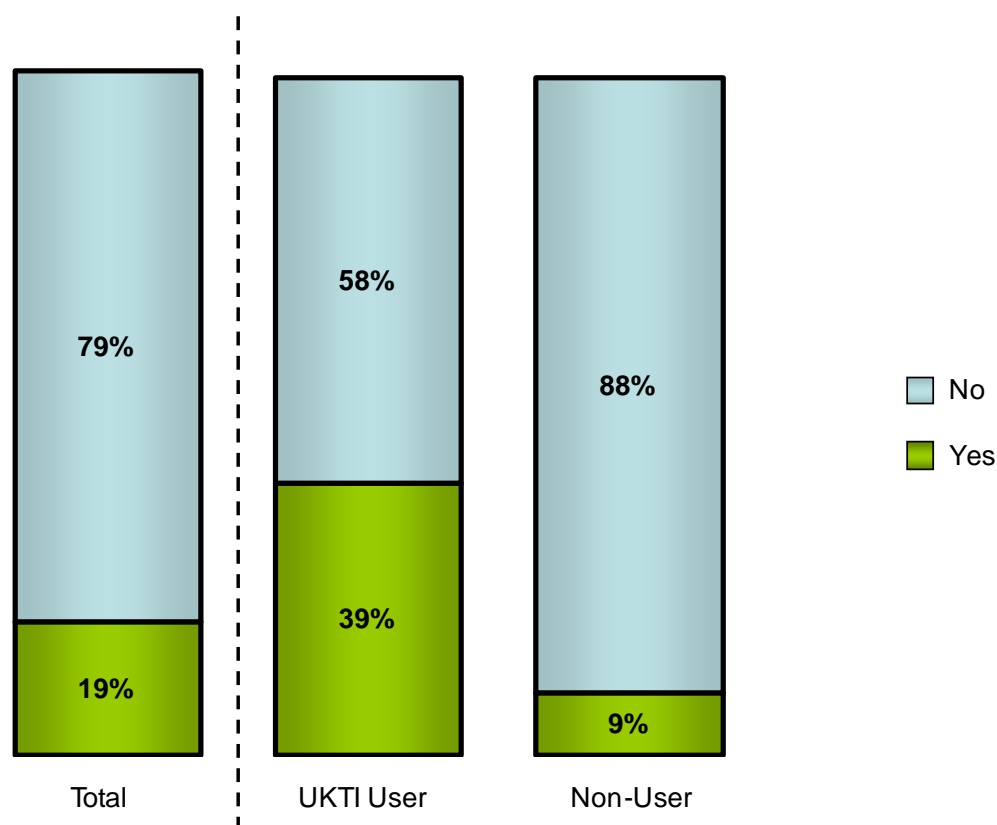
Table 5.2.4 Awareness of the IP Attaché Network – By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	95	374	176	295	781	438	226	460	449
Yes	12%	5%	12%	11%	9%	10%	13%	11%	11%
No	88%	95%	88%	89%	91%	90%	87%	89%	89%

### 5.3 Use of Open to Export

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

Chart 5.3.1 Proportion Visiting the Open to Export Website – By UKTI Usage



Base: All respondents (Base, Don't know/refused)  
Total (950, 3%), UKTI Users (303, 3%), Non-Users (647, 3%)

Almost a fifth of internationalising firms (19%) have visited the Open to Export website, with UKTI clients around four times as likely to have done so as non-users.

As seen below, there is little difference in usage of Open to Export by age of firm, but those with 10-49 employees are significantly more likely to have visited the site than micro SMEs.

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

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Yes	15%	20%	19%	4%	16%	15%	26%	19%	19%	19%
No	83%	77%	78%	87%	81%	81%	72%	80%	81%	79%
Don't know	2%	4%	3%	9%	3%	3%	2%	2%	0%	3%

There are no statistically significant differences by export experience when it comes to the likelihood of visiting the Open to Export site. However, usage does seem to increase in line with export intensity and very engaged exporters where overseas sales account for over 50% of turnover are most likely to have visited the site.

Table 5.3.2 Proportion Visiting the Open to Export Website  
– By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	97	117	214	368	351	124	345	109	107	201
Yes	18%	15%	16%	20%	20%	14%	14%	20%	22%	28%
No	81%	82%	82%	77%	77%	85%	84%	77%	74%	67%
Don't know	1%	3%	2%	3%	3%	1%	2%	3%	4%	5%

## 6. Profile

### 6.1 Age of Business

The sample for this survey was stratified by age of firm to enable robust analysis to be conducted by 3 different age groups (firms established 0-5 years, 6-10 years and over 10 years). To account for this disproportionate sampling approach, the final data has been weighted back to the true age profile of internationalising firms (using data from the Annual Small Business Survey). Please note that this also incorporated further weighting by size of firm to account for the 'boost' of 250+ employee firms.

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

Table 6.1.1 When Business Established – Stratification & Weighting

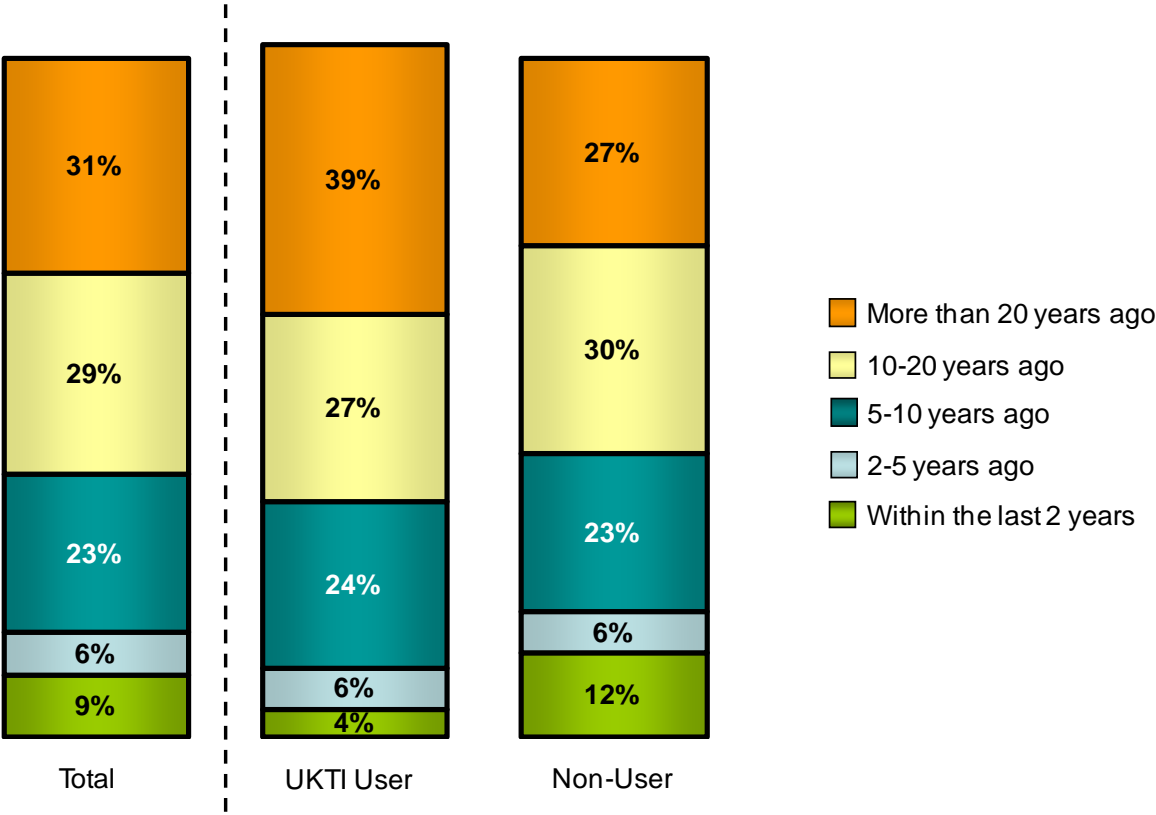
	No. of interviews	% of interviews (unweighted)	True profile of exporters (ASBS data)	% of interviews (Weighted)
Not yet trading	14	1%	17%	1%
Within the last 2 years	112	12%		9%
2-5 years ago	77	8%		6%
6-10 years ago	198	21%	23%	23%
11-20 years ago	244	26%	60%	29%
More than 20 years ago	305	32%		31%
<b>Total</b>	<b>950</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

As detailed above, young firms established in the last 5 years are slightly over-represented in the sample for this survey, accounting for 21% of all interviews compared to 17% of all exporting firms, and as a result have been down-weighted in the final analysis. In contrast, firms established 6-10 years and over 10 years have both been marginally under-represented and have therefore been up-weighted.

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

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

Chart 6.1.1 When Business Established – By UKTI Usage



Base: All respondents (Base, Not yet trading)  
 Total (950, 1%), UKTI Users (303, 1%), Non-Users (647, 1%)

Overall, UKTI users have a slightly older profile than non-users, with 39% and 27% respectively established for more than 20 years.

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

Table 6.1.2 When Business Established – By Size of Firm

	Size (Number of Employees)						
	0-9			10-49	50-249	250+	All SMEs
	0	1-9	Total				
Base	28	559	587	227	68	63	882
Not yet trading	5%	2%	2%	0%	0%	0%	1%
Within the last 2 years	11%	13%	13%	3%	2%	0%	9%
2-5 years ago	8%	8%	8%	3%	3%	3%	6%
5-10 years ago	16%	25%	24%	24%	13%	9%	23%
10-20 years ago	32%	30%	30%	31%	14%	9%	29%
More than 20 years ago	28%	22%	23%	39%	68%	79%	31%

There are no statistically significant differences in the age profile of foreign-owned and UK-owned firms.

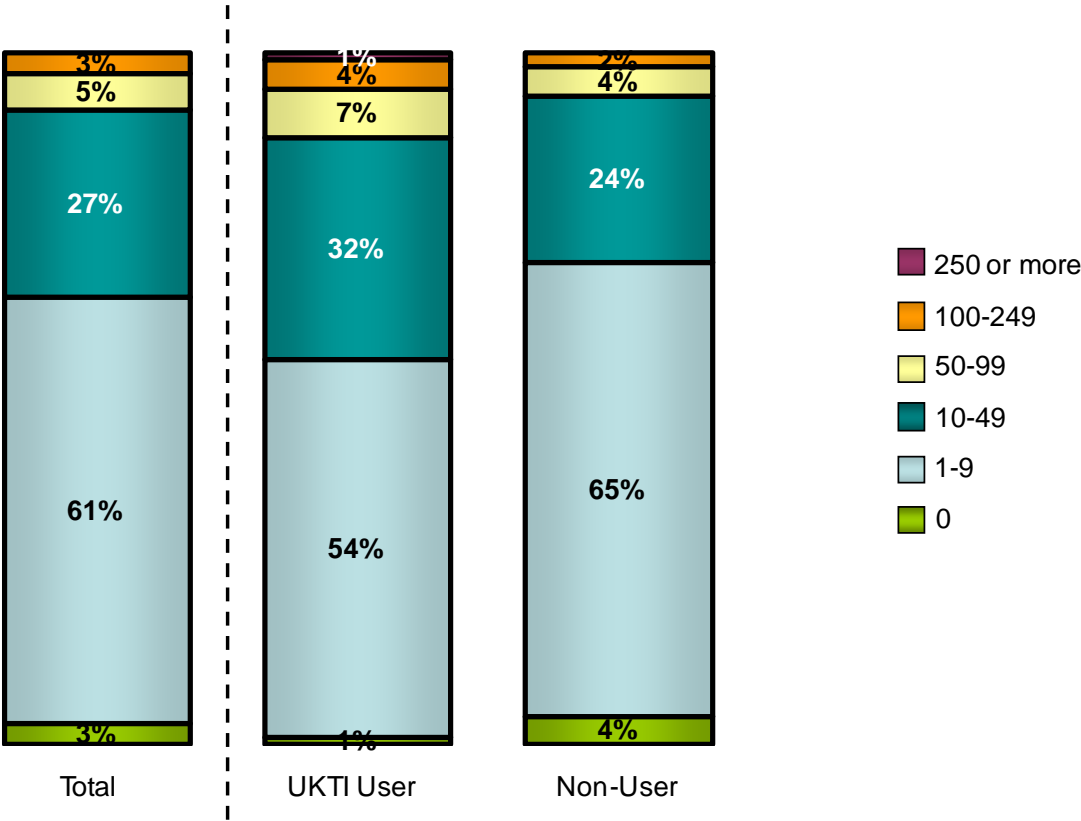
Table 6.1.3 When Business Established – By Company Ownership

	Ownership	
	Foreign	UK
Base	101	848
Not yet trading	0%	1%
Within the last 2 years	10%	9%
2-5 years ago	8%	6%
5-10 years ago	17%	24%
10-20 years ago	34%	28%
More than 20 years ago	30%	31%

### 6.2 Employee Numbers

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

Chart 6.2.1 Number of Employees – By UKTI Usage



Base: All respondents (Base, Don't know/refused)  
 Total (950, 1%), UKTI Users (303, 0%), Non-Users (647, 1%)

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

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

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

Table 6.2.1 Number of Employees – By Age of Firm

	Age (Years Trading)		
	Up to 5	6-10	Over 10
<i>Base</i>	203	198	549
0	4%	2%	3%
1-9	83%	65%	54%
10-49	9%	28%	31%
50-99	1%	3%	7%
100-249	1%	2%	4%
250 or more	0%	0%	0%
Don't know/refused	1%	1%	1%

Foreign-owned firms have a slightly larger profile than UK-owned ones, although half are still micro SMEs with fewer than 10 employees.

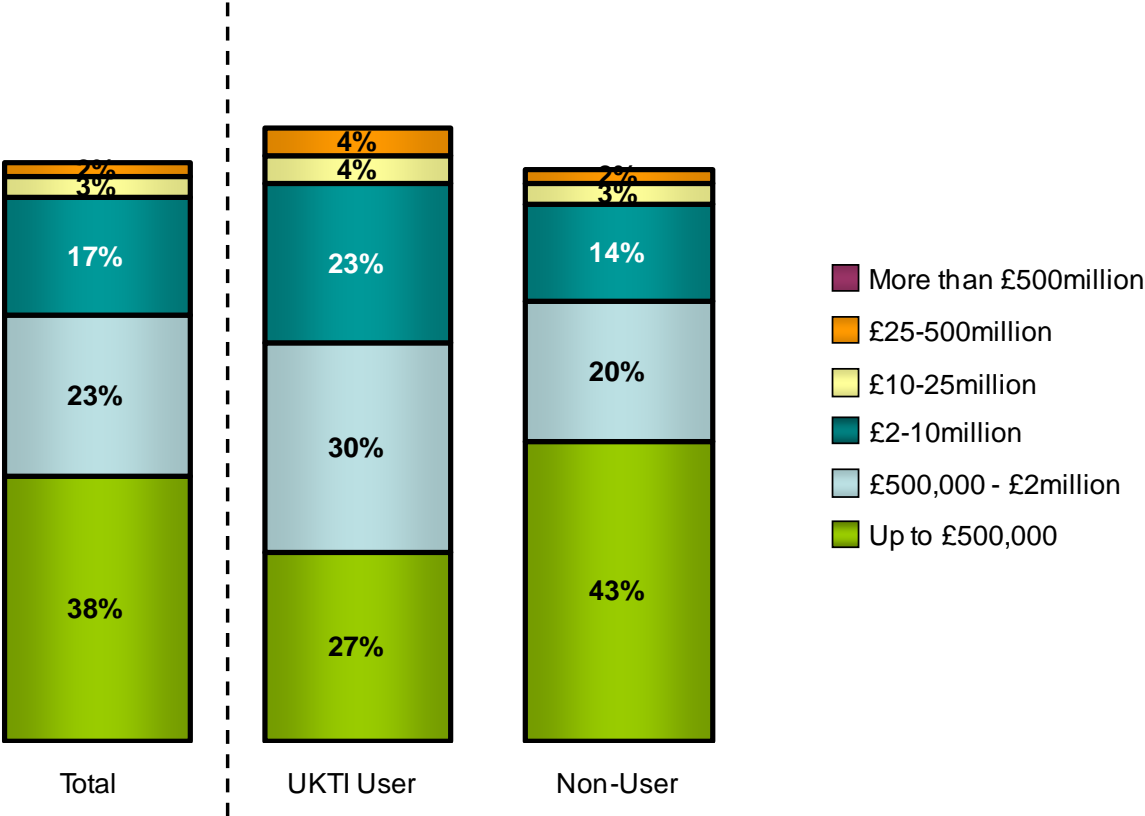
Table 6.2.2 Number of Employees – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	101	848
0	1%	3%
1-9	50%	62%
10-49	36%	26%
50-99	4%	5%
100-249	6%	3%
250 or more	1%	0%
Don't know/refused	1%	0%

### 6.3 Annual Turnover

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

Chart 6.3.1 Annual Turnover – By UKTI Usage



Base: All respondents (Base, Don't know/refused)  
 Total (950, 17%), UKTI Users (303, 13%), Non-Users (647, 18%)

More than a third (38%) of internationalising firms have fairly modest turnovers of £500,000 or less. As well as being slightly larger than non-users in staffing terms (see previous section), UKTI users are also significantly larger in financial terms, with 30% and 19% respectively reporting a turnover in excess of £2million.

Overall, just 3% of firms have a turnover of between £25million-£500million and therefore fall into UKTI's Medium Sized Business classification (MSB).

Unsurprisingly, there is a strong relationship between turnover and employee numbers. Overall, 38% of SMEs have annual sales of less than £500,000.

A similar relationship between turnover and age is also evident. However, it is certainly not the case that all older firms have large turnovers, with a third (32%) of those established more than 10 years reporting a turnover of £500,000 or less, and a quarter (24%) reporting a turnover of between £500,000 and £2million.

Table 6.3.1 Annual Turnover - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Up to £500,000	65%	35%	32%	83%	55%	57%	6%	2%	0%	38%
£500,000-£2million	11%	28%	24%	7%	23%	22%	31%	6%	0%	23%
£2million-£10million	7%	18%	19%	4%	7%	7%	36%	34%	1%	17%
£10million-£25million	0%	3%	4%	0%	0%	0%	4%	21%	9%	3%
£25million-£500million	0%	2%	3%	0%	1%	1%	1%	15%	64%	2%
More than £500 million	0%	0%	0%	0%	0%	0%	0%	0%	9%	0%
Don't know/refused	16%	15%	18%	7%	14%	13%	22%	23%	16%	17%

As seen below, foreign-owned firms report significantly higher sales than domestic ones, with 44% having a turnover of more than £2million compared to just 20% of UK-owned firms.

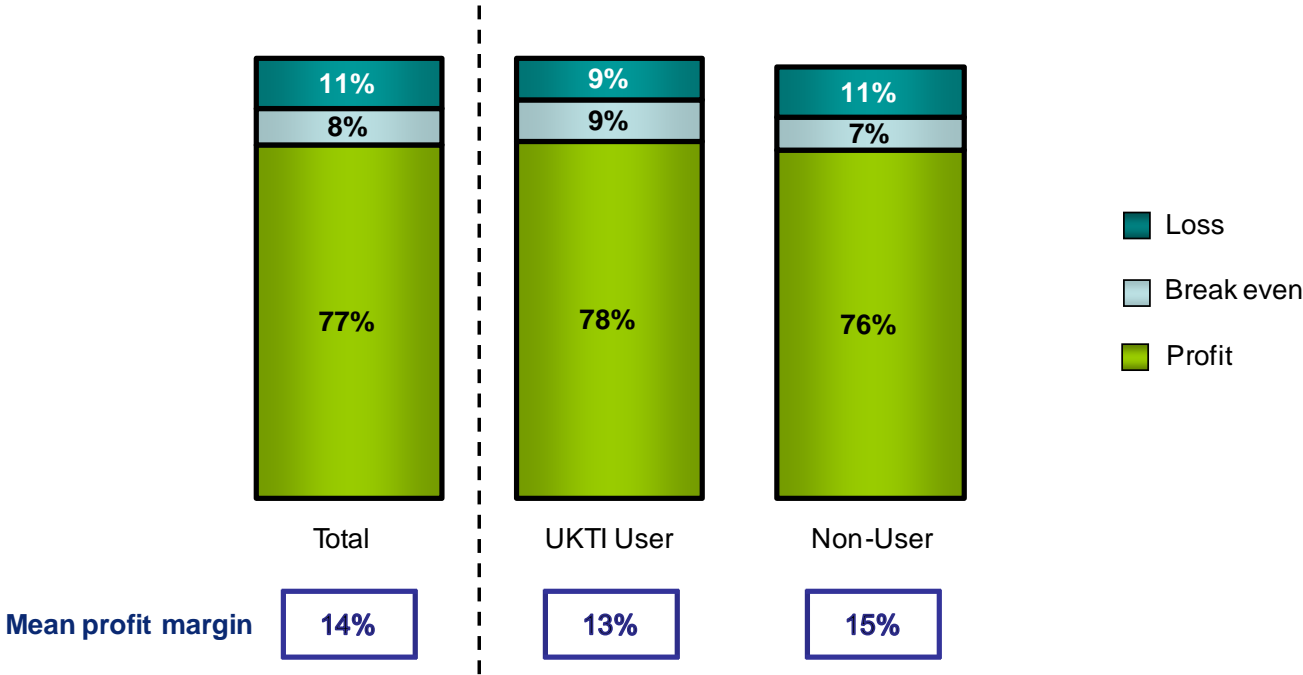
Table 6.3.2 Annual Turnover – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	101	848
Up to £500,000	10%	41%
£500,000-£2million	32%	22%
£2million-£10million	28%	16%
£10million-£25million	6%	3%
£25million-£500million	10%	1%
More than £500 million	0%	0%
Don't know/refused	14%	17%

### 6.4 Profitability

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

Chart 6.4.1 Whether Making Profit or Loss – By UKTI Usage



Base: All respondents (Base, Don't know/refused)  
 Total (950, 5%), UKTI Users (303, 5%), Non-Users (647, 5%)

Three quarters (77%) of internationalising firms are currently making a profit, and the average profit margin is 14%. Please note that the mean profit margin includes firms that are breaking even or making a loss, with these firms allocated a profit margin of 0%.

There are no significant differences in between UKTI users and non-users, either in the proportion making a profit or the mean profit margin.

Unsurprisingly, younger firms that have been established no more than 5 years are least likely to be making a profit, and the same is true of small firms with 0-9 employees (and particularly those with zero employees). However, it is interesting to note that these groups still report mean profit margins that are similar to older and larger firms, suggesting that those young firms that are profitable are making higher than average profits.

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

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Profit	61%	82%	79%	60%	73%	73%	83%	84%	84%	76%
Break even	10%	4%	9%	11%	9%	9%	5%	8%	2%	8%
Loss	22%	10%	7%	16%	14%	14%	4%	4%	6%	11%
Don't know/refused	6%	5%	5%	13%	4%	4%	8%	5%	9%	5%
<i>Mean profit margin</i>	16%	16%	13%	16%	15%	15%	14%	9%	14%	14%

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

Table 6.4.2 Whether Making Profit or Loss – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	97	117	214	368	351	124	345	109	107	201
Profit	55%	70%	63%	81%	79%	56%	79%	84%	79%	81%
Break even	12%	10%	11%	5%	9%	12%	7%	7%	10%	7%
Loss	18%	19%	18%	10%	7%	19%	12%	7%	8%	8%
Don't know/refused	16%	2%	8%	3%	5%	13%	3%	2%	3%	3%
<i>Mean profit margin</i>	15%	17%	16%	15%	13%	14%	12%	19%	16%	16%

Although foreign-owned firms reported significantly higher turnovers than UK-owned firms, they are less likely to be making an annual profit in the UK, with 17% making a loss. The mean profit margin is also lower for foreign-owned firms.

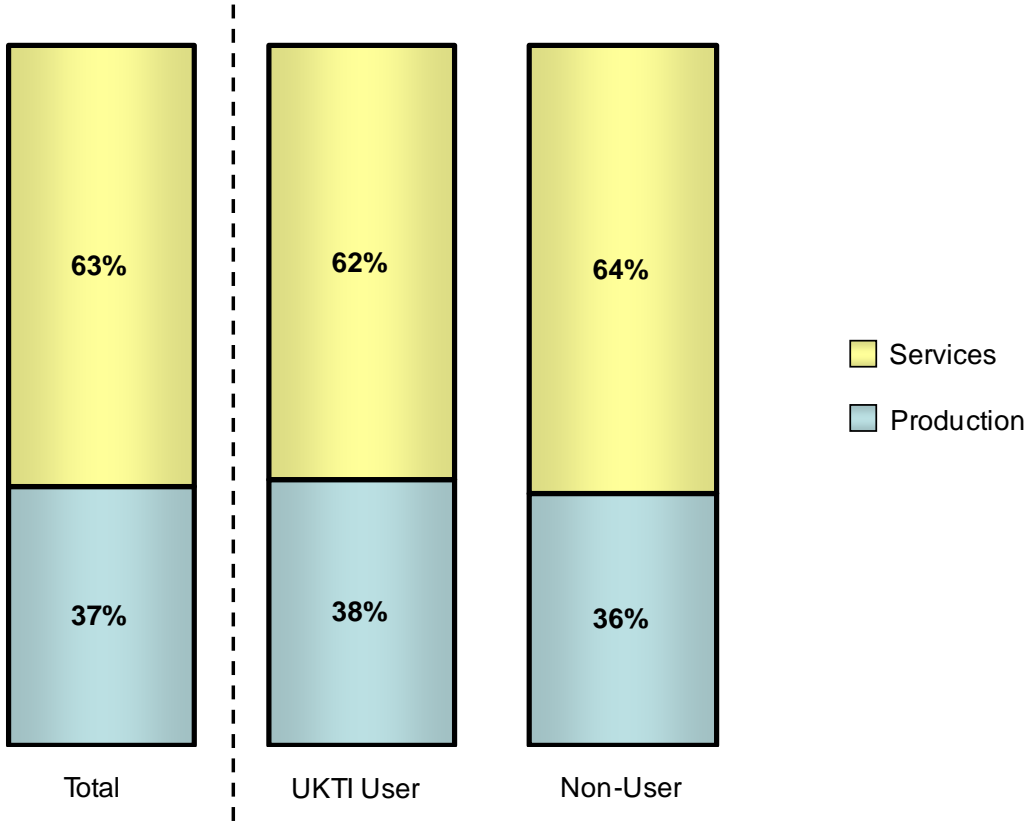
Table 6.4.3 Whether Making Profit or Loss – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	101	848
Profit	66%	78%
Break even	9%	8%
Loss	17%	10%
Don't know/refused	7%	5%
<i>Mean profit margin</i>	11%	15%

### 6.5 Industry Sector

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

Chart 6.5.1 Industry Sector – By UKTI Usage



Base: All respondents (Base)  
 Total (950), UKTI Users (303), Non-Users (647)

Almost two-thirds of internationalising firms are in the service sector, and there is no significant difference between UKTI users and non-users in this respect. This data is consistent with the main PIMS survey of recent UKTI users, which shows that 64% are in the service sector<sup>3</sup>.

<sup>3</sup> PIMS 28-31

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

Table 6.5.1 Industry Sector - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Production	27%	39%	39%	27%	34%	34%	43%	44%	43%	37%
Services	73%	61%	61%	73%	66%	66%	57%	56%	52%	63%

It appears that a greater proportion of foreign-owned firms operate in the production sector than is the case for domestic firms, but it should be noted that this apparent difference is not statistically significant.

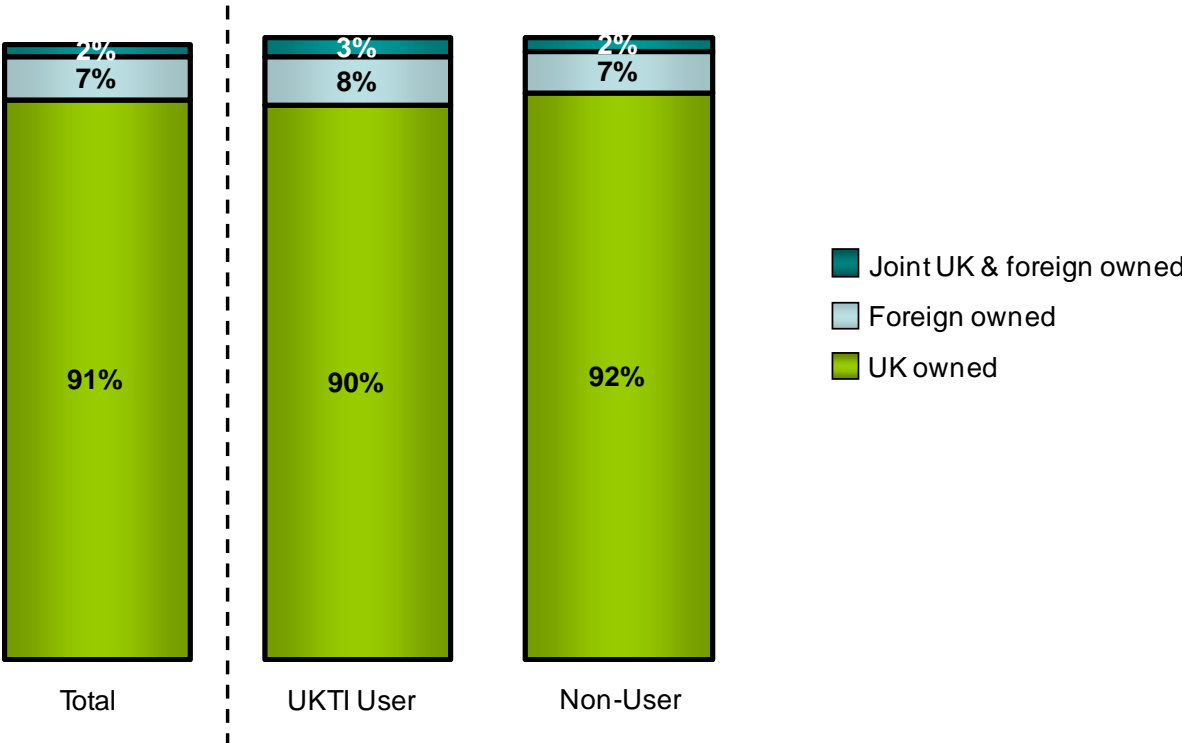
Table 6.5.2 Industry Sector – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	101	848
Production	42%	36%
Services	58%	64%

### 6.6 Ownership

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

Chart 6.6.1 Company Ownership – By UKTI Usage



Base: All respondents (Base, Don't know)  
 Total (950, 0%), UKTI Users (303, 0%), Non-Users (647, 0%)

The vast majority of internationalising firms are UK-owned, with just under 1 in 10 under foreign ownership (either wholly or partly). There is no statistically significant difference between users and non-users in this respect.

As seen below, foreign ownership increases dramatically among large firms with 250 or more employees, with a third of this group indicating that they are foreign owned.

Table 6.6.1 Company Ownership - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
Base	203	198	549	28	559	587	227	68	63	882
UK owned	90%	93%	90%	97%	93%	93%	88%	89%	66%	91%
Foreign owned	8%	4%	8%	3%	6%	6%	9%	11%	31%	7%
Joint	1%	3%	2%	0%	2%	2%	3%	0%	2%	2%

## 7 Innovation & Product/Service Development

### 7.1 Innovative Firms

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

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

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

Table 7.1.1 Innovative Firms – By UKTI Usage

	Total	UKTI Usage		PIMS Data	
		UKTI User	Non-User	UKTI User (PIMS 27-30)	Non-User (2012 Survey)
<i>Base</i>	950	303	647	4584	300
Innovative	72%	80%	69%	82%	63%
Innovative (alternative)	47%	58%	42%	62%	33%

Almost three-quarters of internationalising firms are classified as being innovative by the main definition, although this falls to 47% when the tighter, alternative definition is employed. UKTI users are significantly more likely to be innovative than non-users, irrespective of which definition is used.

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

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

Table 7.1.2 Innovative Firms - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Innovative	53%	79%	75%	53%	69%	69%	77%	88%	94%	72%
Innovative (alternative)	36%	54%	48%	33%	44%	43%	54%	57%	82%	47%

Innovation levels also increase among firms that have been exporting for more than 2 years, suggesting that internationalisation activities can act as a spur to innovation. However, the intensity of firms' export activity (in terms of its contribution to total turnover) appears to have little impact on innovation activities, implying that the innovation effects apply even in the case of relatively 'low level' exporters. The only major difference by export intensity is that firms where overseas sales account for 0% of turnover<sup>4</sup> are much less likely to be innovative than those reporting some level of overseas sales.

Table 7.1.3 Innovative Firms – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	97	117	214	368	351	124	345	109	107	201
Innovative	55%	53%	54%	80%	73%	56%	79%	78%	76%	69%
Innovative (alternative)	44%	34%	39%	52%	47%	42%	46%	57%	53%	49%

As seen below, there is some suggestion that UK-owned firms are more innovative than foreign-owned ones, although it should be noted that this difference is not statistically significant.

Table 7.1.4 Innovative Firms – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	101	848
Innovative	65%	73%
Innovative (alternative)	41%	48%

<sup>4</sup> This group contains firms that have not yet started exporting (but plan to do so) and those who have done business overseas in the last 5 years but did not make any export sales in the last 12 months.

## 7.2 IP Active Firms

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

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

The table below shows the proportions of firms classified as 'IP active', as well as details of the specific type of IP protection held, whether it relates to the UK or overseas markets, and whether firms have any triadic patents<sup>5</sup>.

Table 7.2.1 IP Protection – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	950	303	647
<b>IP Active</b>			
Yes (IP active)	26%	37%	21%
No	73%	59%	78%
Don't know	2%	3%	1%
<b>Type of IP Protection</b>			
Patents	13%	20%	10%
Trademarks	16%	23%	12%
Design Rights	7%	9%	5%
Other legal protection	4%	7%	3%
Not IP active	74%	63%	79%
<b>Geographical Coverage of IP Protection</b>			
UK only	6%	7%	5%
Overseas only	0%	1%	0%
Both	19%	28%	15%
Not IP active	74%	63%	79%
<i>Triadic Patents</i>	3%	5%	3%

A quarter of internationalising firms (26%) have applied for or obtained some form of legal protection for any of their products or services, and are therefore defined as being IP active. The most common forms of IP protection are trademarks and patents, and the majority of those with IP protection indicate that this covers both the UK and some overseas markets (although only 3% of firms hold a triadic patent).

<sup>5</sup> A patent held for the same product or innovation in the USA, Europe and Japan.

Reflecting the fact that they are more likely to be defined as innovative, UKTI users are also significantly more likely to be IP active (37% vs. 21% of non-users) and are more likely to hold each type of IP protection.

As seen below, the larger a firm is the more inclined it is to obtain some form of IP protection. It is also the case that firms established over 5 years are most likely to be IP active.

Table 7.2.2 IP Protection - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
<b>IP Active</b>										
Yes (IP active)	20%	28%	27%	19%	21%	20%	33%	41%	52%	26%
No	79%	71%	71%	81%	78%	79%	64%	57%	39%	73%
Don't know	1%	1%	2%	0%	1%	1%	3%	3%	9%	2%
<b>Type of IP Protection</b>										
Patents	7%	14%	14%	4%	11%	11%	15%	21%	40%	13%
Trademarks	12%	17%	16%	19%	13%	13%	20%	18%	37%	15%
Design Rights	5%	7%	7%	0%	6%	5%	6%	12%	24%	6%
Other IP protection	5%	4%	4%	0%	4%	4%	4%	7%	12%	4%
Not IP active	80%	72%	73%	81%	79%	80%	67%	59%	48%	74%
<b>Geographical Coverage of IP Protection</b>										
UK only	5%	6%	6%	8%	5%	5%	7%	5%	5%	6%
Overseas only	1%	0%	1%	0%	0%	0%	1%	2%	0%	0%
Both	14%	20%	20%	11%	15%	15%	24%	35%	48%	19%
Not IP active	80%	72%	73%	81%	79%	80%	67%	59%	48%	74%
<i>Triadic Patents</i>	1%	3%	4%	0%	3%	3%	4%	6%	20%	3%

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

Table 7.2.3 IP Protection – By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	95	374	176	295	781	438	226	460	449
<b>IP Active</b>									
Yes (IP active)	24%	19%	28%	35%	27%	31%	35%	30%	32%
No	76%	81%	70%	62%	71%	66%	63%	67%	66%
Don't know	0%	1%	2%	3%	2%	2%	2%	3%	2%
<b>Type of IP Protection</b>									
Patents	14%	9%	14%	18%	14%	15%	17%	16%	15%
Trademarks	11%	10%	17%	24%	17%	20%	23%	18%	21%
Design Rights	4%	4%	7%	11%	7%	8%	10%	9%	8%
Other IP protection	4%	3%	6%	6%	5%	5%	7%	5%	6%
Not IP active	76%	81%	72%	65%	73%	69%	65%	70%	68%
<b>Geographical Coverage of IP Protection</b>									
UK only	6%	5%	10%	4%	6%	5%	2%	5%	6%
Overseas only	1%	0%	0%	1%	0%	1%	1%	1%	1%
Both	16%	13%	18%	29%	21%	25%	31%	24%	24%
Not IP active	76%	81%	72%	65%	73%	69%	65%	70%	68%
<i>Triadic Patents</i>	3%	2%	3%	5%	3%	5%	6%	4%	3%

Foreign-owned firms appear more likely to hold IP protection than UK-owned firms, but it should be noted that the difference in the overall proportion classified as IP Active is not statistically significant. However, foreign owned firms are significantly more likely to have patents and/or design rights, to hold IP protection covering both overseas markets and the UK, and to hold triadic patents.

Table 7.2.4 IP Protection - By Company Ownership

	Foreign	UK
<i>Base</i>	101	848
<b>IP Active</b>		
Yes (IP active)	32%	25%
No	66%	73%
Don't know	2%	2%
<b>Type of IP Protection</b>		
Patents	23%	12%
Trademarks	16%	16%
Design Rights	13%	6%
Other IP protection	8%	4%
Not IP active	68%	75%
<b>Geographical Coverage of IP Protection</b>		
UK only	4%	6%
Overseas only	0%	0%
Both	27%	18%
Not IP active	68%	75%
<i>Triadic Patents</i>	7%	3%

Firms that operate overseas through licensing, franchising or other contractual arrangements are most likely to hold IP protection.

Table 7.2.5 IP Protection - By Modes Used

	Selling direct	Agents/ distributors	Contractual arrangements	Overseas site
<i>Base</i>	860	416	139	138
<b>IP Active</b>				
Yes (IP active)	26%	32%	45%	37%
No	72%	65%	54%	60%
Don't know	2%	3%	1%	3%
<b>Type of IP Protection</b>				
Patents	13%	18%	26%	19%
Trademarks	15%	20%	31%	29%
Design Rights	7%	9%	13%	12%
Other IP protection	5%	5%	8%	10%
Not IP active	74%	68%	55%	63%
<b>Geographical Coverage of IP Protection</b>				
UK only	6%	5%	8%	3%
Overseas only	1%	1%	2%	2%
Both	19%	25%	34%	32%
Not IP active	74%	68%	55%	63%
<i>Triadic Patents</i>	4%	5%	7%	3%

### 7.3 Young, Technology Intensive Firms

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

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

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

Table 7.3.1 Young, Technology Intensive Firms – By UKTI Usage

	All firms			Firms aged up to 5 years		
	Total	UKTI User	Non-User	Total	UKTI User	Non-User
<i>Base</i>	950	303	647	189	36	153
Young tech intensive	8%	7%	8%	45%	69%	40%
Up to 5 years old but not young tech intensive	9%	3%	12%	54%	31%	60%
Over 5 years old	83%	90%	80%	-	-	-

Overall, 8% of all internationalising firms are classified as being ‘young, technology intensive’, which equates to 45% of those established in the last 5 years. Looking at the analysis based on all firms, it appears as if there is no difference between UKTI users and non-users. However, this is a function of the older age profile of UKTI users, and when the analysis is based solely on firms aged 5 years or less then it becomes clear that UKTI users are in fact significantly more likely to be ‘young, technology intensive’ (69% vs. 40% of non-users).

A similar scenario is seen when it comes to size of firm. At the total level it appears that smaller firms are more likely to be ‘young, technology intensive’ but this is simply due to the fact that a greater proportion of small firms have been established for less than 5 years. When the analysis is run based just on young firms, it is evident that firms with 10 or more staff are most likely to be ‘young, technology intensive’.

Table 7.3.2 Young, Technology Intensive Firms – By Size

	All firms			Firms aged up to 5 years		
	Total	0-9 emps	10+ emps	Total	0-9 emps	10+ emps
<i>Base</i>	950	587	358	189	163	25
Young tech intensive	8%	9%	4%	45%	41%	72%
Up to 5 years old but not young tech intensive	9%	14%	2%	55%	59%	28%
Over 5 years old	83%	77%	95%	-	-	-

## 7.4 Innovative High Growth Firms

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

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

Table 7.4.1 Innovation & Growth Objectives – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	950	303	647
Innovative & expect substantial growth	22%	28%	19%
Innovative & expect moderate growth	38%	41%	36%
Innovative & expect no growth or negative growth	13%	11%	14%
Non-innovative	28%	20%	31%

Overall 22% of internationalising firms are defined as being 'innovative high growth', with this rising slightly to 28% amongst UKTI users. However, it should be noted that 19% of firms that do not use UKTI are still in this critical category, confirming that there are many 'innovative high growth' internationalising firms that UKTI are not yet reaching.

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

Table 7.4.2 Innovation & Growth Objectives – By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Innovative & expect substantial growth	24%	30%	18%	7%	18%	18%	27%	36%	37%	22%
Innovative & expect moderate growth	22%	38%	42%	20%	37%	36%	40%	44%	46%	38%
Innovative & expect no/negative growth	7%	12%	15%	26%	14%	15%	9%	9%	10%	13%
Non-innovative	47%	21%	25%	47%	31%	31%	23%	12%	6%	28%

As detailed below, firms that are currently not doing business in any overseas markets (i.e. not yet started exporting but planning to do so) are most likely to fall into the innovative high growth category. This suggests that it would be beneficial for UKTI to identify such firms and help them develop their overseas business.

There are no notable differences in the proportion of innovative high growth firms by the broad geographical regions in which firms are doing business.

Table 7.4.3 Innovation & Growth Objectives – By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	95	374	176	295	781	438	226	460	449
Innovative & expect substantial growth	32%	19%	18%	25%	20%	23%	23%	20%	22%
Innovative & expect moderate growth	21%	38%	42%	40%	41%	41%	39%	41%	40%
Innovative & expect no/negative growth	3%	14%	15%	13%	14%	13%	15%	13%	14%
Non-innovative	44%	28%	26%	22%	25%	23%	22%	25%	24%

Similar proportions of UK and foreign-owned firms (22%) are classified as being ‘innovative high growth’.

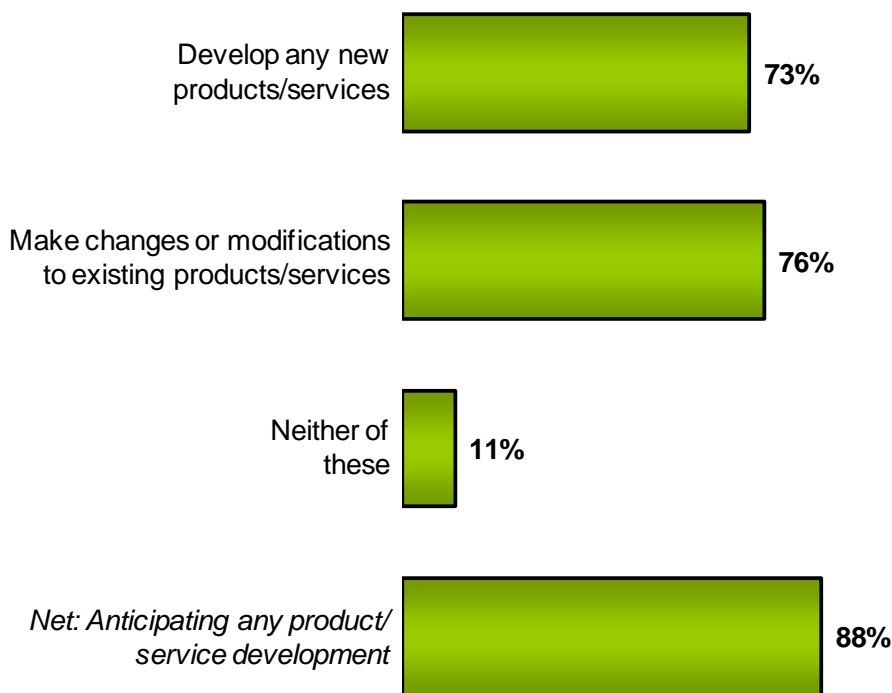
Table 7.4.4 Innovation & Growth Objectives – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	101	848
Innovative & expect substantial growth	22%	22%
Innovative & expect moderate growth	37%	38%
Innovative & expect no/negative growth	7%	14%
Non-innovative	35%	27%

## 7.5 Planned Product & Service Development

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

Chart 7.5.1 Planned Product & Service Development Activity



Base: All respondents (Base, Don't know) (950, 1%)

The majority (88%) of internationalising firms are planning some form of product or service development over the next 3 years, with most of these expecting to develop new products/services and make changes or modifications to their existing ones.

As seen below, UKTI users are significantly more likely than non-users to engage in product/service development over the next 3 years.

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

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	950	303	647
Develop new products/services	73%	79%	70%
Make changes or modifications to existing products / services	76%	83%	73%
None of these	11%	7%	13%
Don't know	1%	0%	2%
<i>Net: Anticipating any product/service development activity</i>	<b>88%</b>	<b>93%</b>	<b>85%</b>

Larger firms are slightly more likely to be planning new developments or modifications to their products or services. Interestingly, young firms that have started trading within the last 5 years are more inclined to develop new products or services than more long-established firms.

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

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Develop new products/services	79%	71%	72%	51%	72%	71%	75%	78%	88%	73%
Make changes to existing products /services	79%	77%	75%	58%	76%	75%	76%	81%	87%	76%
None of these	9%	11%	12%	27%	11%	11%	13%	4%	3%	11%
Don't know	1%	2%	1%	0%	1%	1%	1%	2%	0%	1%
<i>Net: Anticipating any product/service dev't activity</i>	90%	87%	87%	73%	88%	88%	86%	94%	97%	88%

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

Table 7.5.3 Planned Product & Service Development Activity – By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	462	689	261	256	674
Develop new products/services	86%	81%	50%	87%	68%
Make changes or modifications to existing products / services	84%	82%	60%	80%	74%
None of these	3%	5%	29%	6%	13%
Don't know	1%	1%	1%	0%	1%
<i>Net: Anticipating any product/service dev't activity</i>	96%	94%	70%	94%	85%

As detailed below, there are strong links between growth and innovation, with the likelihood of undertaking product or service development activity increasing amongst firms with more ambitious growth objectives. This suggests that firms are innovating to help achieve their growth aspirations, both through creating new products/services and by tailoring existing ones to meet market requirements. This is further demonstrated by the fact that 97% of all 'innovative high growth' firms are planning to carry out some sort of product or service development over the next 3 years.

Table 7.5.4 Planned Product & Service Development Activity  
– By Innovation & Growth

	Growth Objectives			Innovation & Growth		
				Innovative		Non innovative
	Stay same	Mod. growth	Sub. growth	Expect sub. growth	Other	
<i>Base</i>	116	486	273	215	474	261
Develop new products/services	49%	74%	86%	88%	78%	50%
Make changes or modifications to existing products / services	64%	77%	80%	83%	81%	60%
None of these	26%	9%	4%	2%	6%	29%
Don't know	1%	2%	0%	1%	1%	1%
<i>Net: Anticipating any product/service dev't activity</i>	73%	89%	95%	97%	93%	70%

Analysis has also been provided by whether or not younger firms were 'born global' (i.e. have been conducting business overseas since they were established) or are defined as being 'young, technology intensive'. The definition of 'young, technology intensive' firms has already been set out in Chapter 7.3. For full details of the 'born global' classification please refer to Chapter 8.9.

Firms that are defined as 'young technology intensive' are particularly likely to undertake products/service development over the next 3 years. However, firms that were 'born global' are significantly less likely to get involved in these activities than other young firms that started exporting at some point after they were established.

Table 7.5.5 Planned Product & Service Development Activity  
– By Born Global & Young, Tech Intensive

	Up to 5 years old				Over 5 years old
	Total	Born global	Born global (alternative)	Young, tech intensive	
<i>Base</i>	203	95	34	92	747
Develop new products/services	79%	72%	73%	86%	72%
Make changes or modifications to existing products / services	79%	77%	79%	81%	75%
None of these	9%	16%	15%	4%	12%
Don't know	1%	0%	0%	0%	1%
<i>Net: Anticipating any product/service dev't activity</i>	90%	84%	85%	96%	87%

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

Table 7.5.6 Planned Product & Service Development Activity – By Sector

	Sector	
	Production	Services
<i>Base</i>	346	601
Develop new products/services	75%	71%
Make changes or modifications to existing products / services	73%	77%
None of these	11%	12%
Don't know	2%	1%
<i>Net: Anticipating any product/service development activity</i>	87%	88%

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

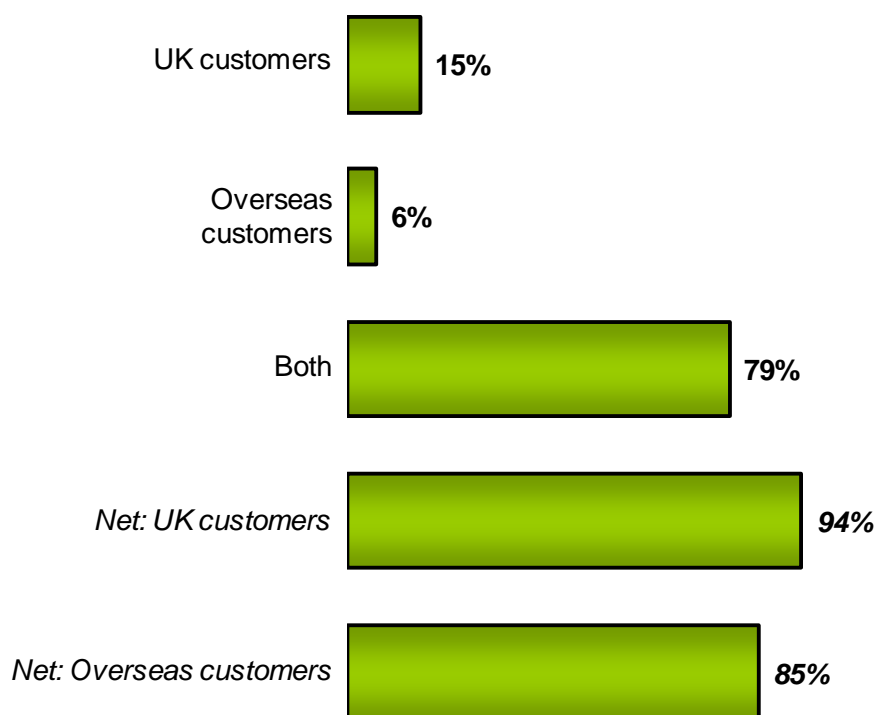
Table 7.5.7 Planned Product & Service Development Activity – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base</i>	101	848
Develop new products/services	74%	73%
Make changes or modifications to existing products / services	82%	75%
None of these	12%	9%
Don't know	1%	1%
<i>Net: Anticipating any product/service development activity</i>	90%	87%

## 7.6 Geographical Focus of Product & Service Development

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

Chart 7.6.1 Geographical Focus of Product/Service Development Activity



Base: All anticipating product/service development in next 3 years (Base, Don't know) (839, 0%)

The majority of firms that are planning product/service development activity over the next 3 years expect that this will be aimed at both UK and overseas customers (79%). As detailed below, UKTI clients are comparatively more likely to focus their product/service development activity on overseas markets (95% vs. 80% of non-users).

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

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base: All anticipating product/service dev't</i>	839	281	558
UK Customers	15%	4%	20%
Overseas Customers	6%	10%	5%
Both	79%	86%	75%
Don't know	0%	0%	0%
<i>Net: UK customers</i>	<i>94%</i>	<i>90%</i>	<i>95%</i>
<i>Net: Overseas customers</i>	<i>85%</i>	<i>95%</i>	<i>80%</i>

There is some evidence that firms with 10 or more staff are more likely to carry out product/service development activity targeted at overseas customers than micro SMEs. However, there are no significant differences in this respect by age of firm.

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

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All anticipating product/service dev't</i>	183	173	483	21	494	515	195	64	61	774
UK Customers	12%	16%	15%	5%	17%	17%	11%	11%	6%	15%
Overseas Customers	4%	7%	7%	5%	8%	8%	2%	9%	12%	6%
Both	84%	77%	78%	89%	75%	75%	86%	80%	81%	79%
Don't know	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
<i>Net: UK customers</i>	96%	92%	93%	95%	92%	92%	98%	91%	88%	93%
<i>Net: Overseas customers</i>	88%	84%	85%	95%	83%	83%	89%	89%	94%	85%

As detailed below, firms that plan to grow over the next 5 years are more likely to be targeting product/service development at overseas customers than is the case for those that simply intend to remain the same size.

Table 7.6.3 Geographical Focus of Product/Service Development – By Innovation & Growth

	Growth Objectives			Innovation & Growth		
	Stay same	Mod. growth	Sub. growth	Innovative		Non innovative
				Expect sub. growth	Other	
<i>Base: All anticipating product/service dev't</i>	87	436	260	210	442	187
UK Customers	25%	15%	12%	11%	16%	17%
Overseas Customers	5%	6%	7%	7%	6%	5%
Both	70%	78%	81%	82%	78%	77%
Don't know	0%	0%	0%	0%	0%	1%
<i>Net: UK customers</i>	95%	93%	93%	93%	94%	94%
<i>Net: Overseas customers</i>	75%	85%	88%	89%	84%	82%

It is interesting to note that there is a correlation between company ownership and the focus of any product/service development activity, with foreign-owned firms more likely to be targeting overseas customers and UK-owned firms more likely to be targeting domestic customers.

Table 7.6.4 Geographical Focus of Product/Service Development  
 – By Company Ownership

	Ownership	
	Foreign	UK
<i>Base: All anticipating product/service dev't</i>	93	745
UK Customers	3%	16%
Overseas Customers	13%	6%
Both	84%	78%
Don't know	0%	0%
<i>Net: UK customers</i>	<i>87%</i>	<i>94%</i>
<i>Net: Overseas customers</i>	<i>97%</i>	<i>84%</i>

## 7.7 Key Markets Driving Innovation

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

Table 7.7.1 Key Markets Driving Innovation - By UKTI Usage

	Total	UKTI Usage	
		User	Non-User
<i>Base: All anticipating product/service dev't</i>	839	281	558
Yes	54%	60%	52%
- USA	15%	15%	15%
- Germany	12%	10%	13%
- UK	10%	7%	12%
- China	9%	11%	8%
- France	7%	5%	8%
- India	6%	7%	6%
- UAE	5%	5%	4%
- Netherlands	4%	2%	5%
- Spain	4%	4%	4%
- Australia	4%	6%	3%
- Russia	4%	4%	3%
No	44%	38%	47%
Don't know	2%	2%	2%

Just over half of firms (54%) felt that certain markets were more critical than others in terms of being a stimulus for their innovation activity, with this more likely to be the case amongst UKTI users (60%).

The most widely identified market in this respect was the USA (15%), with Germany and China highlighted by around 1 in 10 firms. It is also interesting to note that although this survey was amongst internationalising firms, a significant proportion of these (10%) indicated that the UK was a key driver of their innovation activity.

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

Table 7.7.2 Key Markets Driving Innovation - By Growth Objectives

	Growth Objectives		
	Stay the same size	Moderate growth	Substantial growth
<i>Base: All anticipating product/service dev't</i>	87	436	260
Yes	46%	54%	62%
- USA	7%	15%	21%
- Germany	9%	11%	16%
- UK	10%	10%	14%
- China	5%	8%	14%
- France	4%	7%	9%
- India	5%	7%	7%
- UAE	3%	4%	8%
- Netherlands	3%	5%	5%
- Spain	3%	4%	4%
- Australia	4%	3%	5%
- Russia	6%	3%	4%
No	51%	44%	36%
Don't know	3%	2%	2%

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

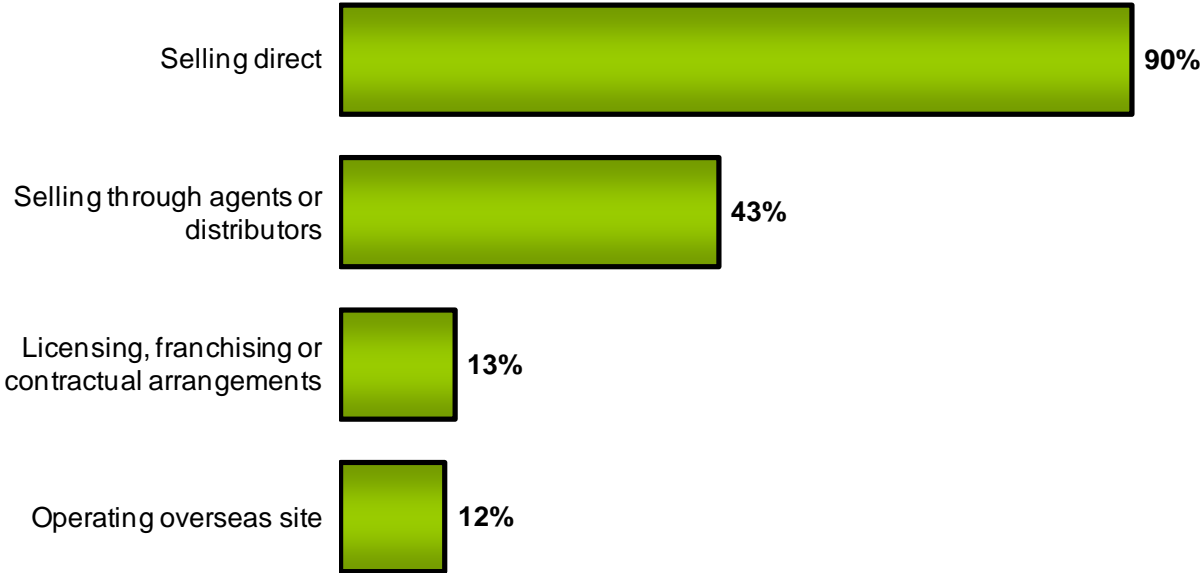
## 8. Overseas Activity & Experience

### 8.1 Modes Used

Firms were asked which of a list of overseas business activities they had been involved in over the last five years. Those not involved in any of these overseas activities were asked whether they were seriously considering starting to conduct overseas business via any of these routes in the next year, and only those responding positively to this question were invited to take part in the research<sup>6</sup>. This group were asked to indicate which types of activities they were planning to become involved in.

The chart below shows usage of these overseas business activities (or planned use in the case of those firms that were not yet exporting).

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



Base: All respondents (950)

The vast majority of internationalising firms sell direct to businesses or individuals overseas, and two-fifths use agents or distributors. A significant minority also sell overseas through contractual arrangements and a similar proportion are engaged in outward investment (i.e. operating their own overseas sites).

<sup>6</sup> Please note that 95 of the 950 firms interviewed (10%) were not yet doing business overseas but were planning to do so in the next year.

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

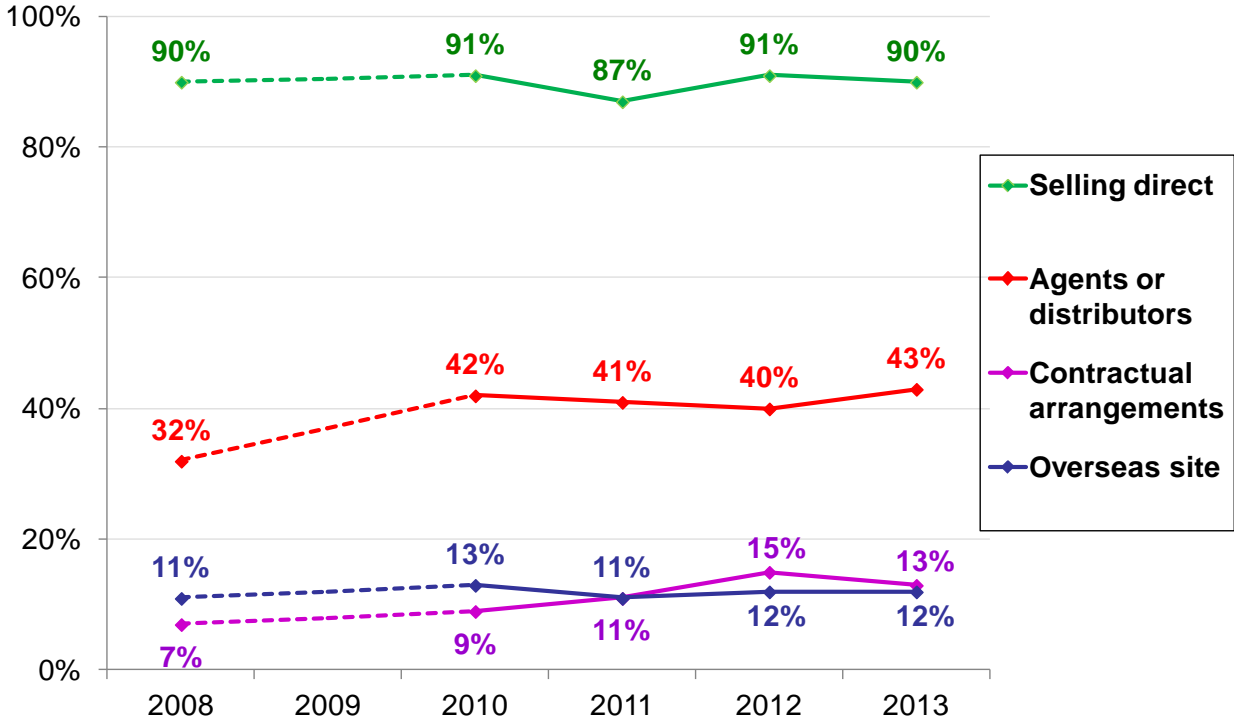
**Table 8.1.1 Modes of Internationalisation Used – By Export Status**  
(Or planning in next year for those not yet exporting)

	Total	Exporting	
		Yes	No (planned in next year)
<i>Base</i>	950	855	95
Selling direct	90%	92%	77%
Agents/distributors	43%	42%	52%
Contractual arrangements	13%	12%	31%
Overseas site	12%	11%	21%

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

The chart below shows how the modes used by internationalising firms have changed over time. Aside from a dramatic jump in the proportion using agents/distributors between 2008 and 2010, there has been little change in each of the internationalisation modes over time. There has been a small but steady rise over the past 5 years in the proportion using contractual arrangements, but this appears to have levelled off in 2013.

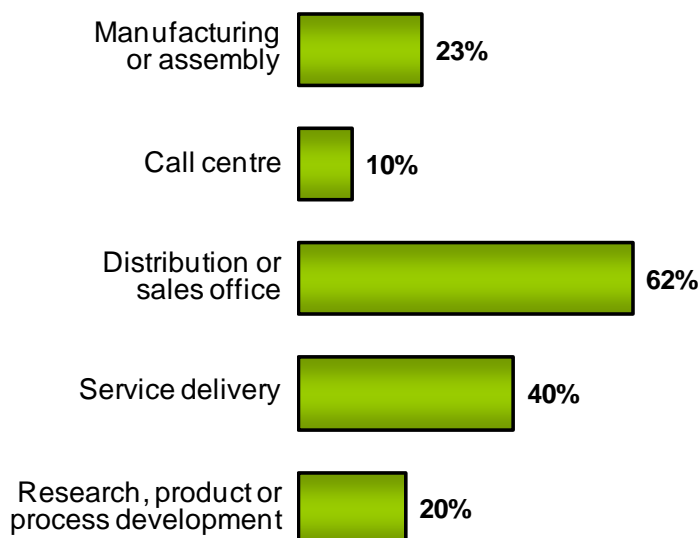
**Chart 8.1.2 Modes of Internationalisation Used – Over Time**  
(Or planning in next year for those not yet exporting)



## 8.2 Number & Type of Overseas Sites

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

Chart 8.2.1 Main Purpose of Overseas Sites



Base: All with or considering overseas sites (Base, Don't know) – (138, 6%)

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

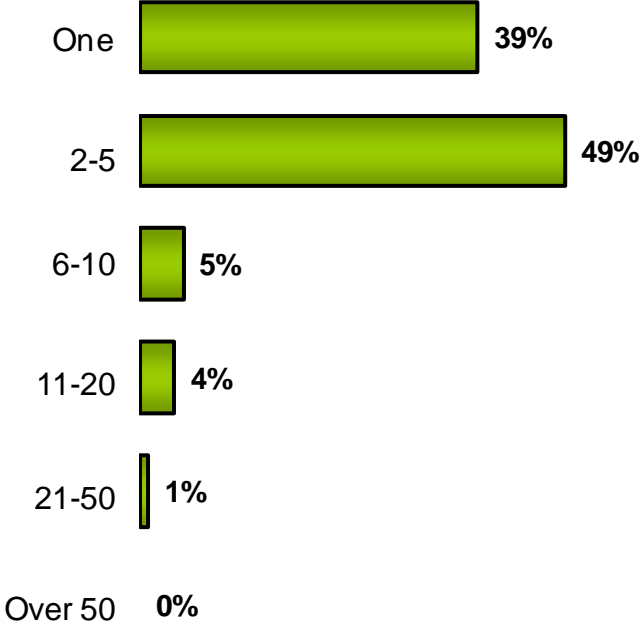
The table below provides analysis by age of firm, and indicates that there are no consistent or statistically significant differences in this respect.

Table 8.2.1 Main Purpose of Overseas Sites – By Age

	Age (Years Trading)		
	Up to 5	6-10	Over 10
<i>Base: All with or considering overseas site(s)</i>	32	21	85
Manufacturing or assembly	32%	15%	22%
Call centre	13%	10%	9%
Distribution or sales office	55%	50%	69%
Service delivery	36%	50%	39%
Research, product or process development	26%	20%	17%
Don't know	3%	10%	5%

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

Chart 8.2.2 Number of Overseas Sites



Base: All with overseas sites (Base, Don't know) – (117, 1%)

The majority of firms with overseas sites have at least 2 of them. However, only 5% have more than 10 sites.

It appears that the older a firm is the more likely it is to have multiple overseas sites. However, please be aware that most of the apparent differences shown below are not statistically significant due to the low base sizes when analysing the data at this level.

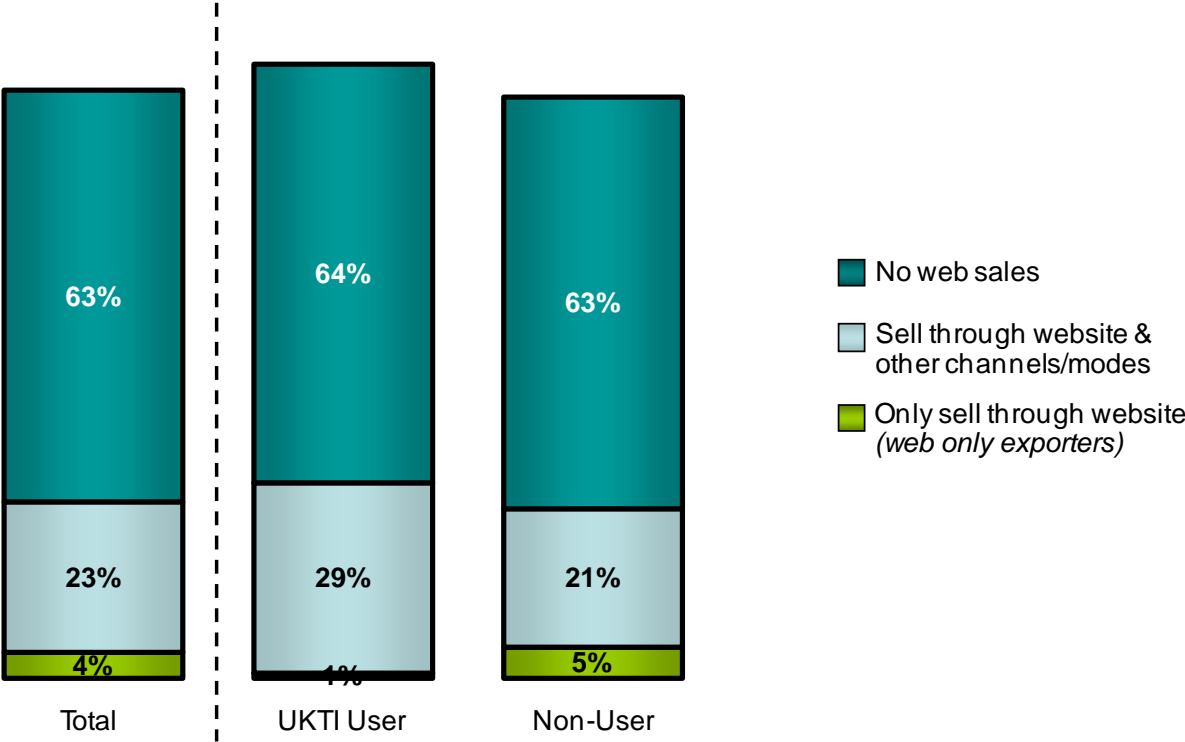
Table 8.2.2 Number of Overseas Sites – By Age

	Age (Years Trading)		
	Up to 5	6-10	Over 10
<i>Base: All with overseas site(s)</i>	17	18	82
One	62%	41%	34%
2-5	37%	41%	53%
6-10	0%	12%	4%
11-20	0%	6%	4%
21-50	0%	0%	2%
Over 50	0%	0%	0%
Don't know	0%	0%	2%

### 8.3 Direct Web Sales

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

Chart 8.3.1 Direct Web Sales – By UKTI Usage



Base: All respondents (Base, Don't know, Not yet exporting)  
 Total (950, 0%, 9%), UKTI Users (303, 0%, 6%), Non-Users (647, 0%, 11%)

As seen above, 27% of internationalising firms make at least some sales through their websites. However, only a small minority (4%) are classified as 'web only exporters' on the basis that they do not make sales through any other channels or modes and solely rely on their online operation.

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

As seen below, the proportion of firms selling overseas through their websites is broadly similar, irrespective of how long they have been doing business overseas. However, firms that are very new to overseas business are more likely to be 'web only exporters'.

Table 8.3.1 Direct Web Sales – By Export Experience

	Overseas Experience		
	Less than 2 years (exc. not yet exporting)	2-10 years	More than 10 years
<i>Base</i>	117	368	351
Any web sales	29%	30%	30%
- Only sell through website (web only exporters)	12%	4%	3%
- Sell through website & other channels/modes	17%	26%	27%
No web sales	71%	70%	70%
Don't know	0%	0%	0%

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

Table 8.3.2 Web Only Exporters – Sector Profile

	Web only exporters	Not web only
<i>Base</i>	36	914
D – Manufacturing	30%	36%
G – Wholesale & retail trade	31%	21%
I – Transport, storage & communication	3%	8%
J – Financial intermediation	0%	2%
K – Real estate, renting & business activities	25%	29%
O – Other community, social & personal service activities	11%	3%

## 8.4 Internationalisation Modes by Firm Profile

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

As seen below, whilst users and non-users are equally likely to sell direct to customers overseas, UKTI users are more inclined to also use agents or distributors, use contractual arrangements (such as licensing or franchising) and operate their own overseas sites.

Table 8.4.1 Modes of Internationalisation – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	950	303	647
Selling direct	90%	92%	90%
- 'Web only' exporters	4%	1%	5%
Agents/distributors	43%	56%	37%
Contractual arrangements	13%	19%	11%
Overseas site	12%	16%	10%
- Manufacturing/assembly	3%	3%	3%
- Call centre	1%	1%	1%
- Sales/service delivery	9%	13%	8%
- R&D	2%	5%	1%

Small firms with less than 10 employees are less likely to use more advanced modes such (i.e. everything other than simply selling direct). However, they are slightly more inclined to only sell overseas through their website (i.e. 'web only' exporters). There are no major differences in the modes used by age of firm.

Table 8.4.2 Modes of Internationalisation – By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Selling direct	90%	89%	91%	79%	89%	89%	95%	91%	93%	91%
- 'Web only' exporters	7%	4%	3%	4%	5%	5%	3%	0%	0%	4%
Agents/distributors	41%	43%	43%	27%	40%	40%	47%	54%	43%	43%
Contractual arrangements	15%	13%	13%	21%	12%	12%	14%	18%	31%	13%
Overseas site	15%	10%	11%	0%	9%	9%	17%	20%	51%	12%
- Manufacturing/assembly	5%	2%	3%	0%	2%	2%	4%	7%	1%	3%
- Call centre	2%	1%	1%	0%	1%	1%	1%	0%	0%	1%
- Sales/service delivery	10%	8%	10%	0%	7%	7%	14%	22%	0%	10%
- R&D	4%	2%	2%	0%	1%	1%	4%	3%	0%	2%

It might be expected that inexperienced exporters would be less likely to use the more 'advanced' internationalisation modes but, as detailed in the table below, there is no evidence that this is the case. In fact, firms that have not yet started doing business overseas are more likely to anticipate that they will adopt these approaches than firms that are already internationalising.

The 'not yet exporting' firms are interesting as they differ considerably from firms that have started internationalising very recently, even though it might be expected that they would have a similar profile. However, it is possible that although many of these firms currently intend to adopt some of the less widespread internationalisation modes, it may be that they change (or delay) their plans when they actually start doing business overseas.

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

Table 8.4.3 Modes of Internationalisation Used – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	97	117	214	368	351	124	345	109	107	201
Selling direct	77%	94%	86%	91%	93%	76%	92%	95%	98%	91%
- 'Web only' exporters	0%	12%	6%	4%	3%	1%	8%	3%	3%	1%
Agents/distributors	51%	36%	43%	40%	45%	46%	29%	46%	52%	55%
Contractual arrangements	30%	10%	20%	12%	12%	25%	10%	7%	19%	15%
Overseas site	22%	7%	14%	9%	14%	21%	4%	11%	20%	15%
- Manufacturing/assembly	8%	2%	5%	1%	3%	7%	0%	3%	4%	3%
- Call centre	3%	2%	2%	1%	1%	4%	0%	1%	1%	0%
- Sales/service delivery	12%	6%	9%	7%	12%	12%	4%	9%	20%	11%
- R&D	5%	2%	3%	2%	2%	4%	1%	2%	4%	3%

As might be expected, the more markets a firm is active in, the more likely they are to be using each of the different modes (aside from the small group of firms that are not yet exporting). There is also evidence that firms doing business in European markets are less inclined to use agents/distributors and to sell through contractual arrangements such as licensing.

Table 8.4.4 Modes of Internationalisation Used  
– By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	95	374	176	295	781	438	226	460	449
Selling direct	77%	89%	94%	95%	93%	92%	95%	94%	93%
- 'Web only' exporters	0%	4%	5%	4%	4%	5%	4%	4%	4%
Agents/distributors	52%	29%	45%	58%	42%	49%	55%	51%	51%
Contractual arrangements	31%	8%	10%	18%	12%	16%	20%	15%	18%
Overseas site	21%	7%	11%	17%	11%	12%	15%	13%	14%
- Manufacturing/assembly	7%	2%	1%	3%	2%	2%	2%	2%	3%
- Call centre	3%	1%	0%	1%	1%	1%	1%	1%	1%
- Sales/service delivery	12%	5%	8%	16%	10%	11%	14%	12%	12%
- R&D	5%	1%	3%	3%	2%	2%	3%	3%	2%

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

Table 8.4.5 Modes of Internationalisation – By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	462	689	261	256	674
Selling direct	89%	91%	90%	91%	90%
- 'Web only' exporters	3%	4%	4%	3%	4%
Agents/distributors	48%	46%	35%	53%	39%
Contractual arrangements	19%	15%	9%	24%	10%
Overseas site	14%	13%	9%	17%	10%
- Manufacturing/assembly	3%	3%	3%	4%	2%
- Call centre	2%	1%	1%	2%	1%
- Sales/service delivery	11%	11%	7%	14%	8%
- R&D	4%	3%	1%	3%	2%

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

Table 8.4.6 Modes of Internationalisation – By Innovation & Growth

	Growth Objectives			Innovation & Growth		
				Innovative		Non innovative
	Stay same	Mod. growth	Sub. growth	Expect sub. growth	Other	
<i>Base</i>	116	486	273	215	474	261
Selling direct	86%	93%	89%	89%	92%	90%
- <i>'Web only' exporters</i>	1%	4%	4%	4%	4%	4%
Agents/distributors	35%	41%	49%	53%	43%	35%
Contractual arrangements	13%	11%	20%	21%	13%	9%
Overseas site	7%	12%	15%	17%	11%	9%
- <i>Manufacturing/assembly</i>	2%	3%	3%	3%	2%	3%
- <i>Call centre</i>	1%	1%	2%	3%	1%	1%
- <i>Sales/service delivery</i>	7%	10%	11%	13%	10%	7%
- <i>R&amp;D</i>	0%	1%	6%	7%	1%	1%

As seen below, firms that are classified as 'young, tech intensive' are more likely to do business overseas through contractual arrangements, use agents/distributors and operate their own overseas sites. However, it is interesting to note that 'born global' firms are actually less inclined to adopt these modes than other young firms, and instead are more likely to simply sell direct to overseas customers.

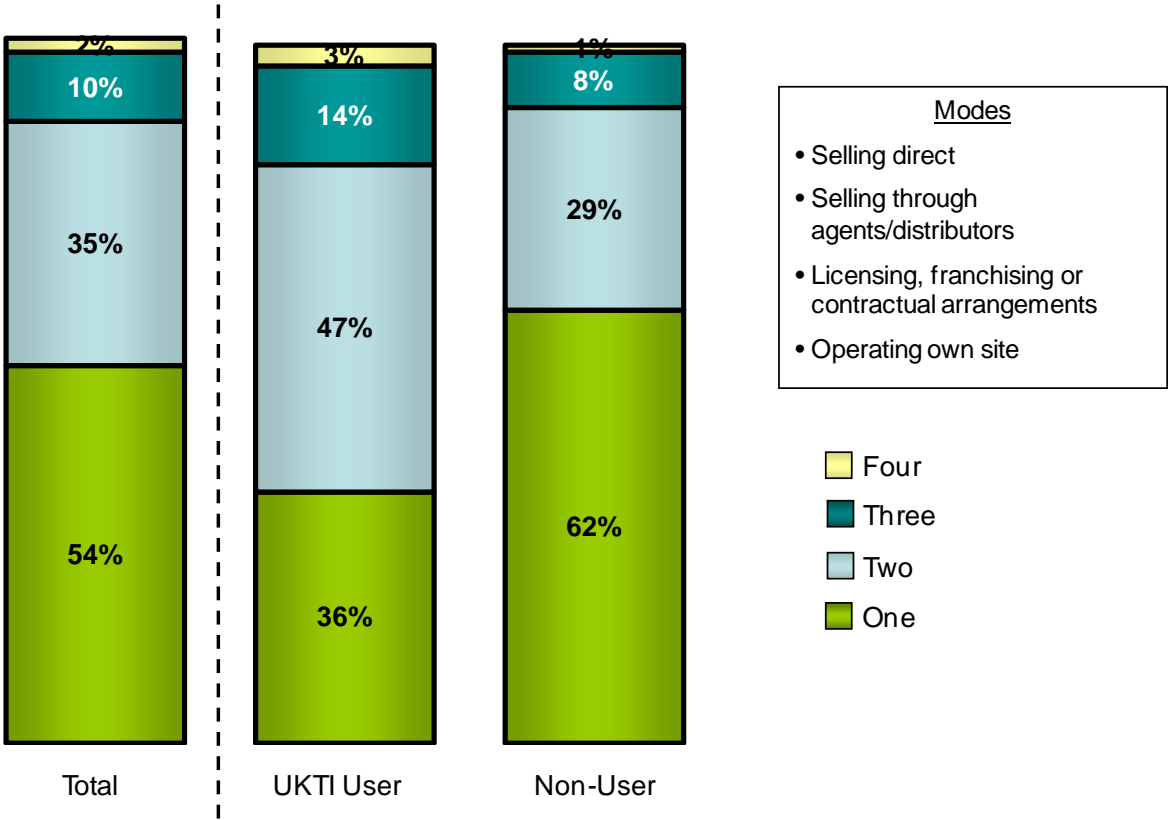
Table 8.4.7 Modes of Internationalisation – By Born Global & Young, Tech Intensive

	Up to 5 years old				Over 5 years old
	Total	Born global	Born global (alternative)	Young, tech intensive	
<i>Base</i>	203	95	34	92	747
Selling direct	90%	96%	94%	89%	91%
- <i>'Web only' exporters</i>	7%	13%	3%	5%	3%
Agents/distributors	41%	32%	46%	53%	43%
Contractual arrangements	15%	11%	9%	22%	13%
Overseas site	15%	12%	9%	18%	11%
- <i>Manufacturing/assembly</i>	5%	2%	0%	4%	2%
- <i>Call centre</i>	2%	2%	3%	3%	1%
- <i>Sales/service delivery</i>	10%	11%	6%	11%	9%
- <i>R&amp;D</i>	4%	3%	3%	7%	2%

### 8.5 Number of Modes Used

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

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



Base: All respondents (Base)  
Total (950), UKTI Users (303), Non-Users (647)

Over half of all internationalising firms (54%) are only using a single mode when doing business overseas, although 11% are involved in 3 or 4 different modes.

UKTI users are considerably more likely to employ multiple approaches when doing business overseas, with 64% using more than one mode compared to only 38% of non-users.

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

Table 8.5.1 Number of Modes – By Modes Used

	Modes Used			
	Selling direct	Agents/ distributors	Contractual arrangements	Overseas site
<i>Base</i>	860	416	139	138
One	52%	12%	10%	8%
Two	36%	63%	27%	47%
Three	10%	21%	52%	33%
Four	2%	4%	11%	13%

There are no significant differences in this respect by age of firm.

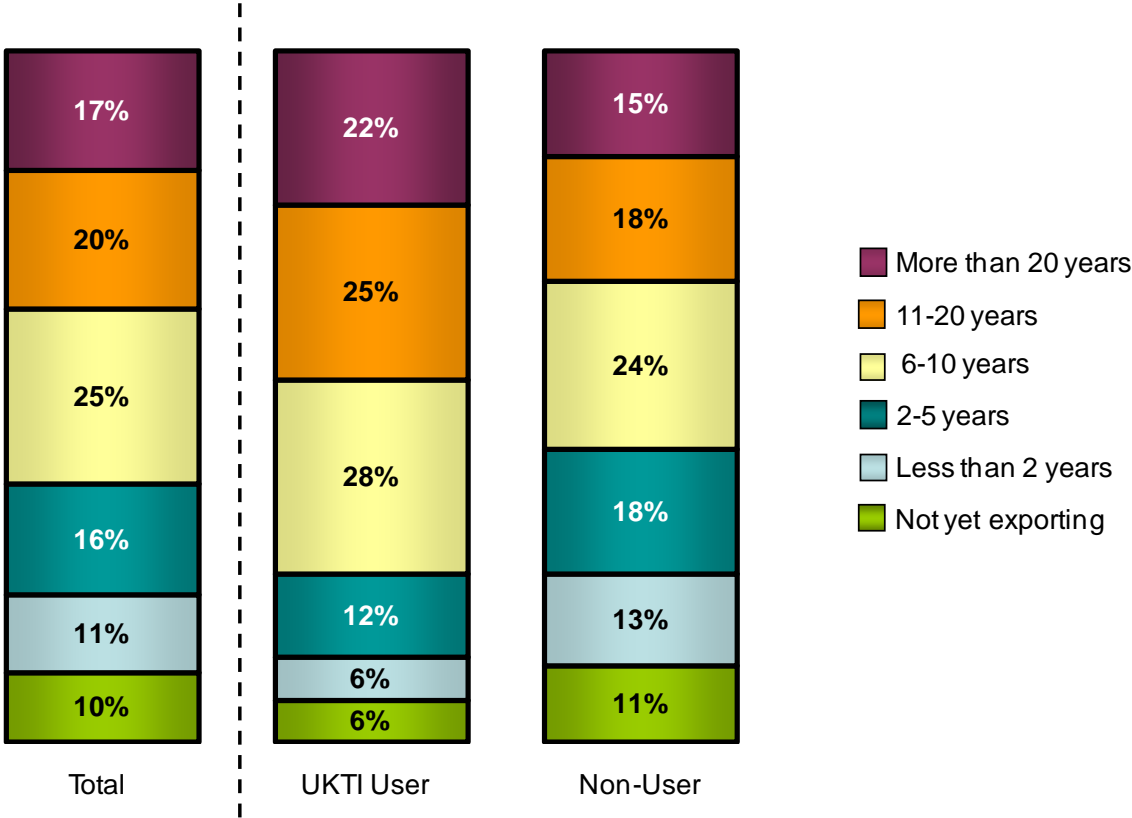
Table 8.5.2 Number of Modes – By Age

	Age (Years Trading)		
	Up to 5	6-10	More than 10
<i>Base</i>	203	198	549
One	56%	54%	54%
Two	30%	38%	35%
Three	11%	8%	10%
Four	3%	1%	1%

### 8.6 Export Experience

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

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



Base: All respondents (Base, Don't know/refused)  
 Total (950, 2%), UKTI Users (303, 1%), Non-Users (647, 2%)

UKTI users tend to be more experienced overseas, with 47% having been exporting for over 10 years, compared to just 32% of non-user firms. As detailed below, the export experience profile of the Internationalisation Survey sample has remained very consistent over time.

Table 8.6.1 Number of Years Doing Business Overseas – Over Time

	Total				UKTI Users				Non-Users			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Base	902	903	900	950	235	248	189	303	667	655	711	647
Not yet exporting	4%	6%	6%	10%	3%	2%	5%	6%	4%	7%	6%	11%
Less than 2 years	12%	12%	10%	11%	8%	10%	6%	6%	13%	12%	12%	13%
2-5 years	20%	17%	22%	16%	16%	13%	15%	12%	21%	19%	23%	18%
6-10 years	25%	23%	24%	25%	30%	27%	22%	28%	24%	22%	25%	24%
11-20 years	20%	22%	22%	20%	20%	22%	26%	25%	21%	22%	20%	18%
More than 20 years	17%	20%	16%	17%	22%	25%	25%	22%	16%	18%	14%	15%
Don't know/refused	2%	0%	0%	2%	1%	1%	1%	1%	2%	0%	0%	2%

The following table below shows the 2013 survey data on the length of time firms have been involved in overseas business activity analysed by both size and age.

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

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Not yet exporting	29%	6%	5%	30%	11%	12%	5%	3%	0%	10%
Less than 2 years	45%	7%	2%	3%	15%	14%	4%	4%	3%	10%
2-5 years	24%	26%	10%	16%	17%	17%	18%	4%	6%	16%
6-10 years	0%	60%	19%	12%	24%	23%	32%	21%	15%	25%
11-20 years	0%	0%	33%	28%	18%	19%	22%	24%	16%	20%
More than 20 years	0%	0%	28%	12%	13%	13%	17%	42%	57%	17%
Don't know/refused	1%	1%	2%	0%	1%	1%	3%	2%	3%	2%

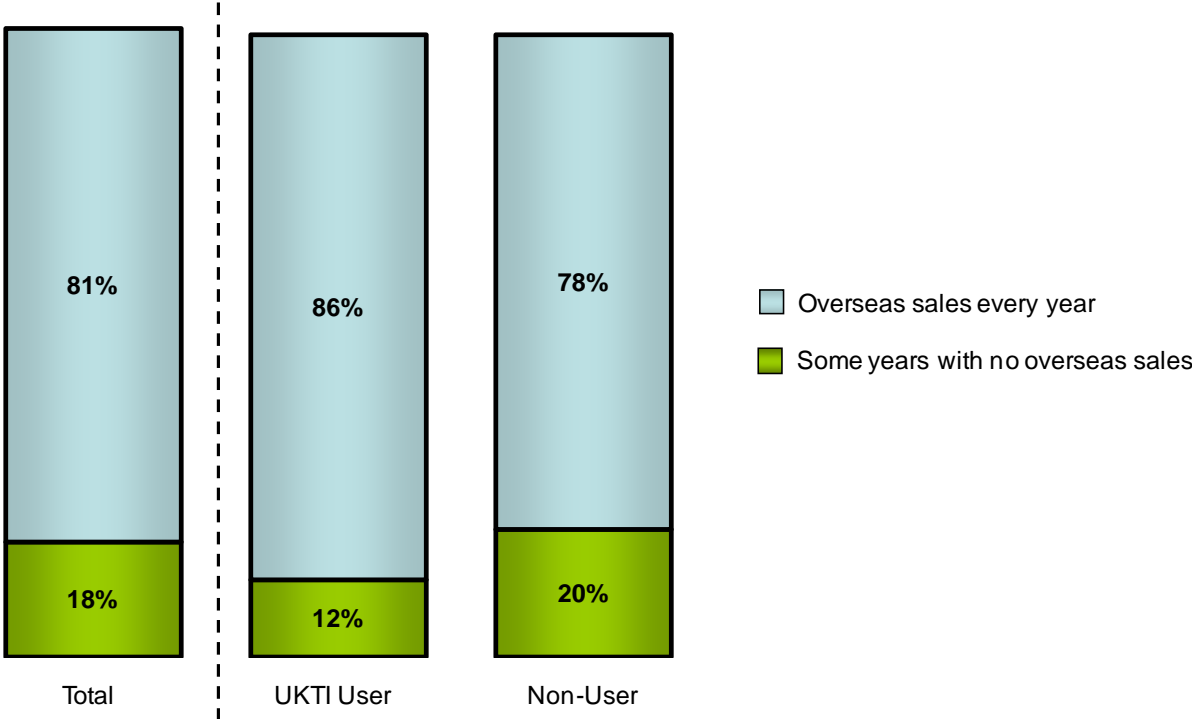
Aside from the obvious fact that older firms have been doing business overseas for longer, the above analysis suggests that when firms do internationalise they often do so reasonably early on. 45% of young firms (established for 5 years or less) have been exporting for 2-5 years, 60% of firms aged 6-10 years have been exporting for 6-10 years, and 62% of firms aged over 10 years have been exporting for more than 10 years.

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

### 8.7 Intermittent Exporters

As an additional indicator of export activity firms were also asked whether, in the last 5 years, they had made overseas sales every year or whether there had been some years with no overseas sales<sup>7</sup>. Please note that this question was only asked to firms that had been doing business overseas for at least 2 years.

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



Base: All exporting 2 years or more (Base, Don't know/refused)  
Total (736, 2%), UKTI Users (265, 1%), Non-Users (471, 2%)

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

<sup>7</sup> Firms that had been exporting for less than 5 years were asked whether they had made overseas sales every year *since they started exporting* (rather than over the last 5 years).

As seen below, the smaller the firm the more likely they are to be an intermittent exporter. Older firms that have been established over 5 years are more likely to report intermittent export activity, although this is likely to be connected to these firms starting exporting longer ago and hence having more opportunity to experience some years with no overseas sales.

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

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All exporting 2 years or more</i>	53	173	510	18	388	407	204	62	61	673
Some years with no overseas sales	12%	19%	18%	23%	20%	20%	16%	8%	2%	18%
Overseas sales every year	88%	78%	81%	71%	78%	78%	82%	92%	98%	80%
Don't know	0%	3%	1%	6%	2%	2%	1%	0%	0%	2%

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

Table 8.7.2 Intermittent Exporters (Last 5 Years)  
- By Number of Markets & Web Only Exporters

	Number of Markets			'Web only' exporters	
	1-5	6-10	Over 10	Yes	No
<i>Base: All exporting 2 years or more</i>	289	157	281	22	714
Some years with no overseas sales	35%	7%	4%	24%	18%
Overseas sales every year	63%	93%	94%	76%	81%
Don't know	1%	0%	2%	0%	2%

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

Table 8.7.3 Intermittent Exporters – Profile Comparison

Profile		Export sales every year	Intermittent exporters
<i>Base: All exporting 2 years or more</i>		605	120
Age	0-5 years	6%	4%
	6-10 years	25%	27%
	Over 10 years	70%	69%
Size	0-9 employees	57%	68%
	10-249 employees	42%	32%
	250+ employees	0%	0%
Sector	Production	39%	36%
	Services	61%	64%
Innovation classifications	Innovative	77%	77%
	Innovative (alt)	51%	43%
	IP active	30%	19%
Financial performance	Profit	82%	71%
	Break even	6%	8%
	Loss	7%	17%
Years exporting	2-5 years	20%	23%
	6-10 years	29%	41%
	Over 10 years	50%	31%
Overseas sales as % of total turnover	0-10%	34%	80%
	11-25%	15%	6%
	26-50%	15%	5%
	Over 50%	28%	6%
Past growth (last 5 years)	Grown substantially	18%	18%
	Grown moderately	46%	37%
	Same/smaller	35%	45%
Future growth (next 5 years)	Grow substantially	23%	24%
	Grow moderately	54%	49%
	Same/smaller	17%	21%
Current written business plan	Yes	57%	53%
	With overseas targets	37%	23%
Clear management strategy for...	Achieving growth objectives	84%	80%
	Developing overseas business	66%	40%

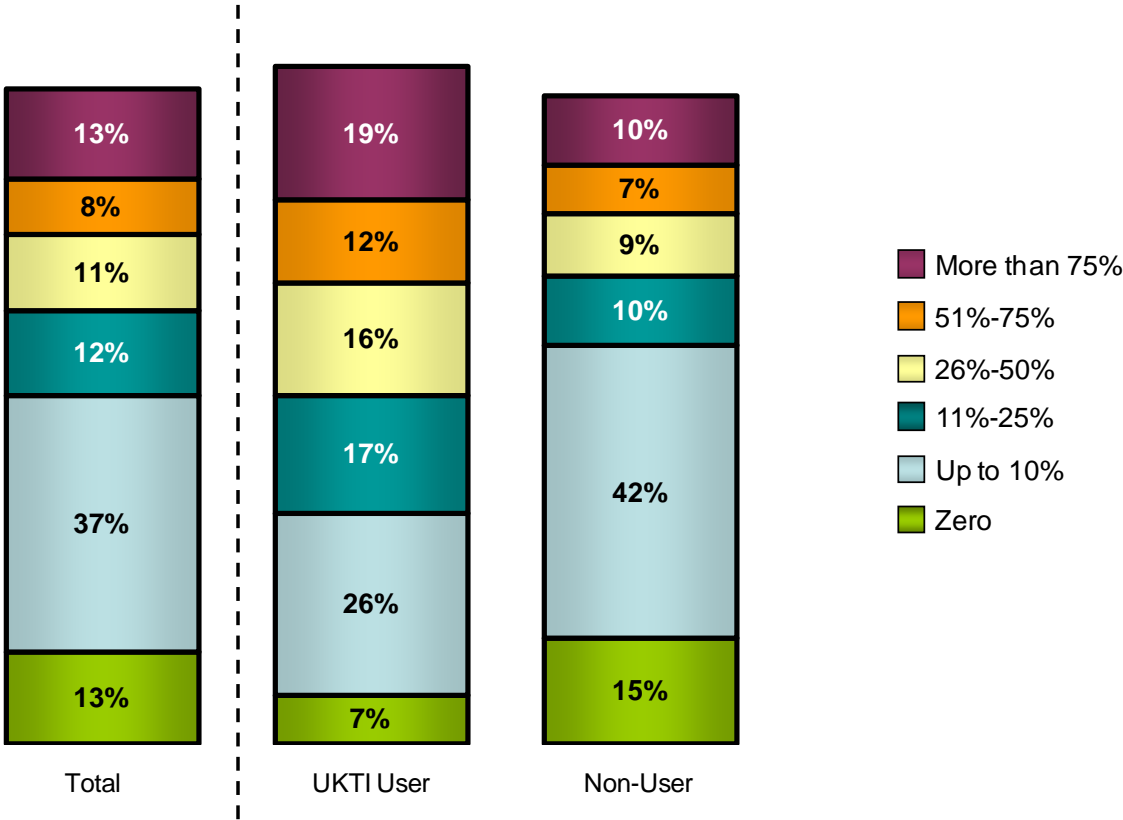
There are a number of interesting differences between intermittent exporters and firms that have recorded overseas sales every year. The former tend to be smaller, are less likely to be IP active and are less likely to be profitable. They have generally been doing business overseas for less time, and overseas sales are much less crucial to their business (in terms of contribution to total turnover).

Intermittent exporters also have a slightly less dynamic growth trajectory and are much less likely to have a clear management strategy for developing their overseas business or to have a business plan containing targets for overseas revenues.

### 8.8 Proportion of Turnover Accounted for by Overseas Sales

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

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



Base: All respondents (Base, Don't know/refused)  
 Total (950, 6%), UKTI Users (303, 4%), Non-Users (647, 7%)

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

Smaller firms, and those established in the last 5 years, are more likely to report that overseas sales currently do not contribute anything to their total turnover. However, aside from the increased proportion of 'not yet exporting' firms within these groups, there are relatively few clear or consistent differences in export intensity by age or size. It is important to note that a significant minority of young and small firms are still extremely intensive exporters, with 15% of firms established in the last 5 years and 20% of those with less than 10 employees indicating that overseas sales account for more than half of their total revenues.

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

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10- 49	50- 249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Zero	31%	10%	9%	41%	15%	16%	7%	5%	0%	13%
Less than 10%	30%	36%	39%	29%	37%	36%	39%	35%	33%	37%
11%-25%	9%	12%	13%	3%	12%	12%	12%	9%	7%	12%
26%-50%	7%	14%	11%	11%	11%	11%	11%	15%	15%	11%
51%-75%	6%	7%	0%	4%	6%	6%	12%	14%	10%	8%
More than 75%	9%	16%	13%	8%	14%	14%	11%	13%	17%	13%
Don't know/refused	6%	7%	6%	4%	5%	5%	8%	10%	18%	6%

## 8.9 'Born Global' Firms

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

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

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

Table 8.9.1 Born Global Firms – By UKTI Usage

	All firms			Firms aged up to 5 years		
	Total	UKTI User	Non-User	Total	UKTI User	Non-User
<i>Base</i>	950	303	647	189	36	153
Born global	8%	5%	9%	50%	54%	49%
Born global (alternative)	3%	2%	3%	18%	20%	17%
Up to 5 years old but not born global	8%	4%	9%	50%	46%	51%
Over 5 years old	83%	90%	80%	-	-	-

Overall, 8% of firms are classified as being 'born global' under the main definition and 3% under the tighter, alternative definition (equating to 50% and 18% respectively when based just on firms established in the last 5 years).

Using the standard definition, it appears that UKTI users are slightly less likely to be 'born global' than non-users (5% vs. 9). However, this is largely down to the older profile of UKTI users, with this group containing fewer firms aged 5 years or less. When the analysis is based just on young firms, there is no statistically significant difference in the proportion of users and non-users classified as 'born global'. There is also no significant difference between users and non-users when it comes to the alternative, tighter 'born global' definition.

When based on firms established in the last 5 years, there are no statistically significant differences by size of firm in terms of the likelihood of being 'born global'.

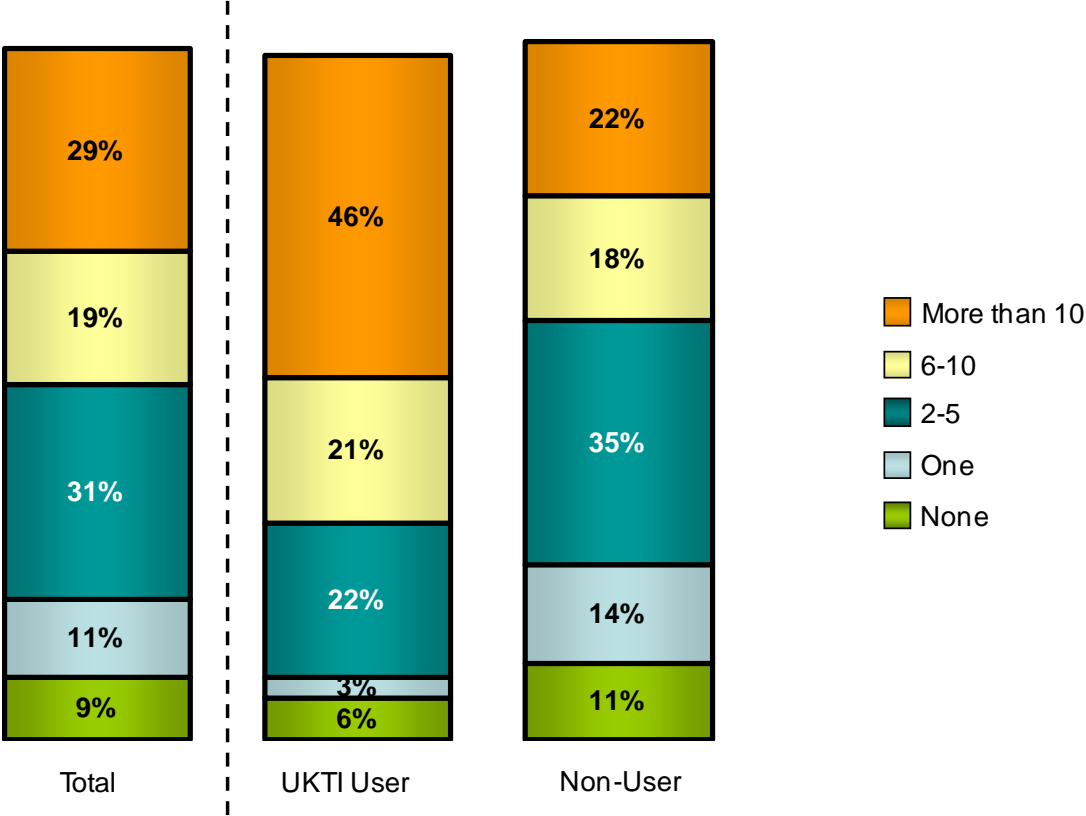
Table 8.9.2 Born Global Firms – By Size

	All firms			Firms aged up to 5 years		
	Total	0-9 emps	10+ emps	Total	0-9 emps	10+ emps
<i>Base</i>	950	587	358	189	163	25
Born global	8%	11%	2%	50%	52%	35%
Born global (alternative)	3%	4%	1%	18%	18%	13%
Up to 5 years old but not born global	8%	10%	4%	50%	48%	65%
Over 5 years old	83%	77%	94%	-	-	-

### 8.10 Number of Markets

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

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



Base: All respondents (Base, Don't know/refused)  
 Total (950, 1%), UKTI Users (303, 2%), Non-Users (647, 0%)

Approaching half of all internationalising firms (48%) have done business in more than five markets over the last five years, with 29% indicating that they are active in more than 10.

Users of UKTI clearly have more overseas experience in this respect, with 46% having done business in more than 10 markets compared to only 22% of non-users.

As seen below, the number of markets firms operate in tends to increase in line with age and size. However, this is not universal and there are significant numbers of small firms that operate in over 10 markets and, conversely, some very large firms are only active in a small number of markets.

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

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
None	28%	6%	5%	30%	11%	12%	5%	3%	0%	9%
One	12%	12%	10%	12%	12%	12%	8%	6%	2%	11%
2-5	30%	31%	31%	34%	34%	34%	27%	22%	7%	31%
6-10	13%	22%	20%	9%	20%	19%	22%	12%	13%	19%
More than 10	14%	27%	34%	15%	22%	22%	38%	57%	75%	29%
Don't know/refused	1%	1%	1%	0%	1%	1%	1%	0%	3%	1%

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

Table 8.10.2 Number of Markets Done Business in During Last 5 Years  
– By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	97	117	214	368	351	124	345	109	107	201
None	100%	0%	47%	0%	0%	74%	0%	0%	0%	0%
One	0%	28%	16%	12%	7%	11%	20%	5%	1%	6%
2-5	0%	43%	23%	37%	27%	12%	48%	25%	21%	19%
6-10	0%	16%	8%	22%	22%	2%	19%	30%	23%	22%
More than 10	0%	12%	6%	28%	43%	0%	13%	40%	54%	52%
Don't know/refused	0%	1%	0%	1%	1%	1%	1%	0%	0%	1%

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

## 8.11 Overseas Regions

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

Table 8.11.1 Regions Doing Business In – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	950	303	647
<b>Regions</b>			
Europe	83%	88%	81%
North America	46%	55%	41%
South & Latin America	23%	36%	17%
Middle East & Africa	48%	65%	40%
Asia Pacific	46%	60%	39%
Not yet exporting	9%	6%	11%
<b>Number of Regions</b>			
None/not exporting	9%	6%	11%
One	25%	13%	30%
Two	20%	19%	20%
Three	18%	17%	18%
Four	15%	21%	12%
Five	14%	23%	9%

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

A quarter of firms are only doing business in a single region (typically Europe), although 14% are selling to all 5 areas.

UKTI users are more likely to be doing business in each of these regions and tend to be active in a significantly greater number of regions, with 62% operating in 3 or more regions compared to just 39% of non-users.

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

### 8.11.2 Regions Doing Business In - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
<b>Regions</b>										
Europe	61%	87%	88%	59%	79%	78%	92%	90%	94%	83%
North America	34%	44%	49%	39%	42%	41%	53%	56%	64%	46%
South & Latin America	12%	22%	26%	15%	17%	17%	32%	37%	51%	23%
Middle East & Africa	28%	49%	53%	33%	43%	43%	56%	62%	78%	48%
Asia Pacific	33%	46%	49%	24%	41%	40%	53%	64%	87%	45%
Not yet exporting	28%	6%	5%	30%	11%	12%	5%	3%	0%	9%
<b>Number of Regions</b>										
None/not exporting	28%	6%	5%	30%	11%	12%	5%	3%	0%	9%
One	27%	27%	23%	20%	27%	27%	19%	21%	9%	24%
Two	14%	20%	22%	31%	21%	21%	17%	19%	5%	20%
Three	15%	20%	17%	3%	18%	17%	21%	12%	24%	18%
Four	8%	14%	17%	7%	14%	13%	19%	14%	30%	15%
Five	7%	13%	16%	11%	9%	9%	18%	32%	33%	13%

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

### 8.11.3 Regions Doing Business In – By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	97	117	214	368	351	124	345	109	107	201
<b>Regions</b>										
Europe	0%	83%	44%	92%	94%	17%	92%	97%	97%	88%
North America	0%	36%	19%	45%	60%	8%	34%	61%	70%	65%
South & Latin America	0%	10%	5%	21%	34%	1%	11%	28%	43%	41%
Middle East & Africa	0%	35%	18%	51%	62%	9%	38%	65%	62%	69%
Asia Pacific	0%	35%	18%	47%	59%	7%	34%	54%	73%	66%
Not yet exporting	100%	0%	47%	0%	0%	74%	0%	0%	0%	0%
<b>Number of Regions</b>										
None/not exporting	100%	0%	47%	0%	0%	74%	0%	0%	0%	0%
One	0%	49%	26%	29%	18%	15%	40%	15%	11%	16%
Two	0%	20%	11%	24%	21%	9%	27%	25%	13%	17%
Three	0%	21%	11%	20%	18%	2%	21%	17%	25%	15%
Four	0%	4%	2%	16%	21%	0%	9%	25%	25%	25%
Five	0%	6%	3%	11%	22%	1%	3%	18%	27%	27%

As shown in the previous table, firms where exports account for more than 10% of turnover are much more likely to be active in multiple regions than those where overseas sales contribute relatively little to total turnover. However, once export sales exceed 10% of turnover there is relatively little difference in the number of regions that firms do business in.

A quarter of those firms reporting zero export sales have still done business in one or more overseas regions. As mentioned in Section 8.10, this is because the export turnover data relates to the most recent financial year, whereas the number of markets data refers to activity over the last 5 years.

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

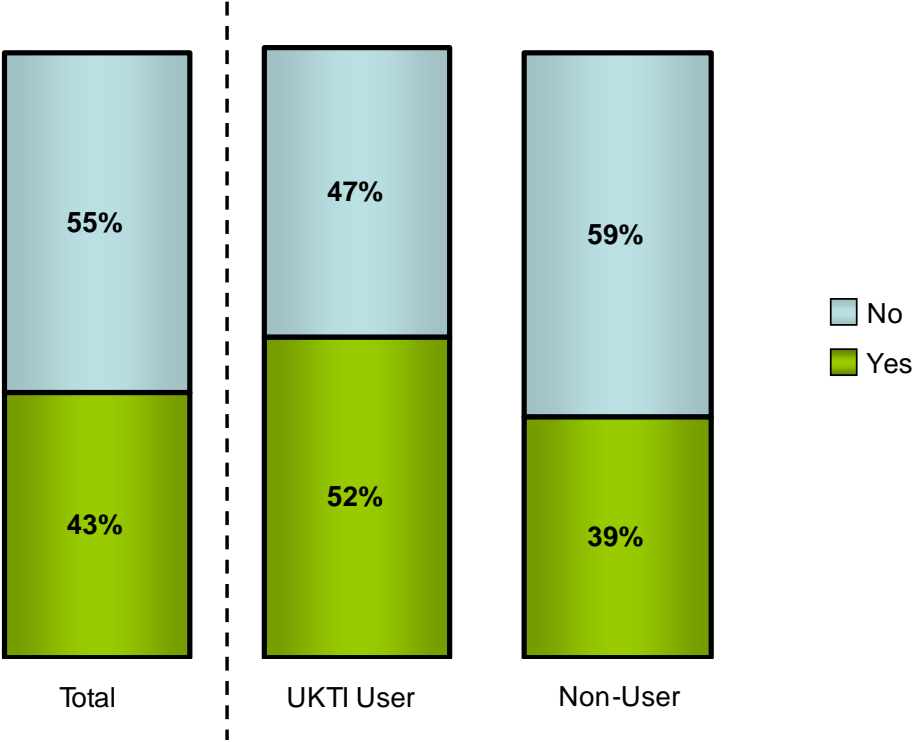
8.11.4 Regions Doing Business In – By Number of Markets

	Number of Markets			
	0	1-5	6-10	>10
<i>Base</i>	95	374	176	295
<b>Regions</b>				
Europe	0%	85%	95%	98%
North America	0%	28%	57%	78%
South & Latin America	0%	4%	23%	58%
Middle East & Africa	0%	27%	62%	84%
Asia Pacific	0%	24%	55%	84%
Not yet exporting	100%	0%	0%	0%
<b>Number of Regions</b>				
None/not exporting	100%	0%	0%	0%
One	0%	52%	9%	3%
Two	0%	31%	25%	8%
Three	0%	15%	37%	15%
Four	0%	2%	23%	32%
Five	0%	0%	6%	42%

### 8.12 Senior Management Experience

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

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



Base: All respondents (Base, Don't know/refused)  
 Total (950, 2%), UKTI Users (303, 2%), Non-Users (647, 2%)

UKTI users are significantly more likely to benefit from a senior management team that has brought export experience with them to the firm.

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

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

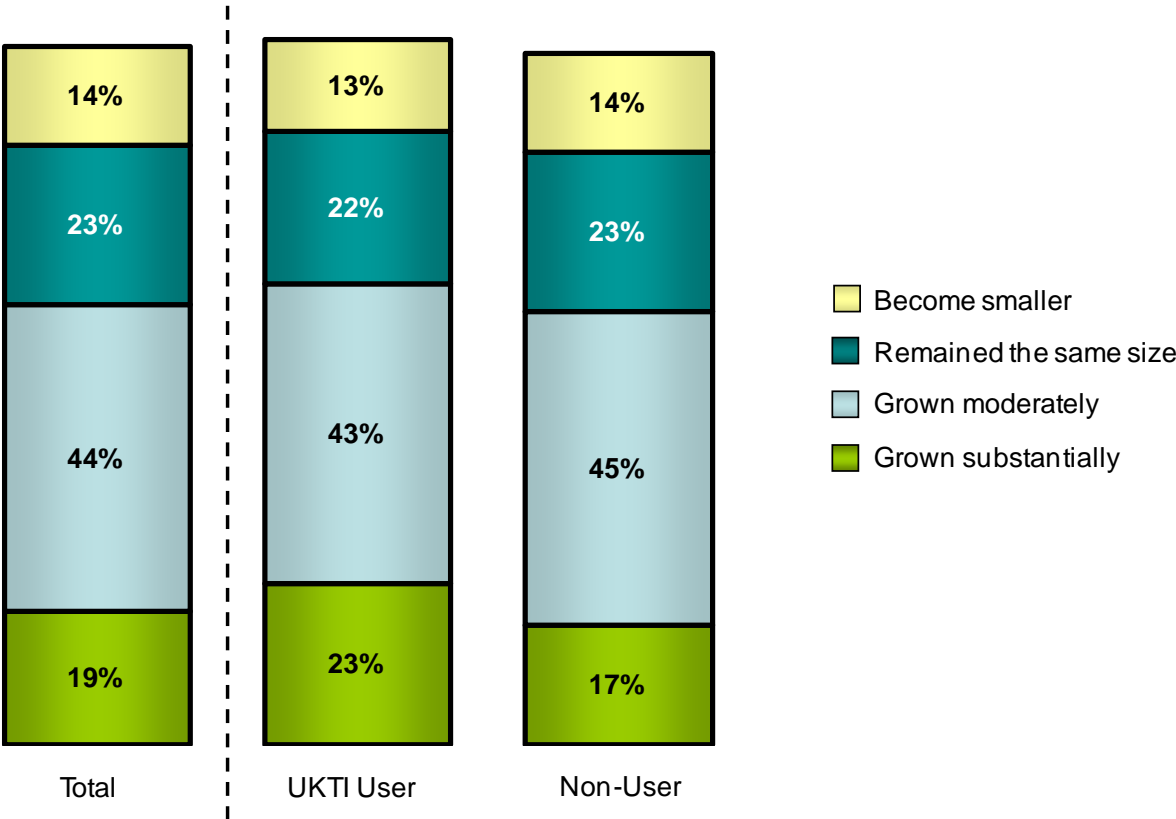
	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Yes	45%	53%	38%	41%	40%	40%	45%	51%	72%	43%
No	54%	46%	60%	59%	58%	58%	53%	43%	15%	56%
Don't know	1%	2%	2%	0%	1%	1%	2%	6%	13%	2%

# 9 Business Growth & Overseas Strategy

## 9.1 Past Growth

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

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



Base: All established 1 year or more (Base, Don't know/refused)  
 Total (874, 1%), UKTI Users (292, 0%), Non-Users (582, 1%)

Almost two-thirds of internationalising firms have grown over the past 5 years, although in most cases this was described as 'moderate' growth. UKTI users are significantly more likely than non-users to have grown 'substantially' over this period.

Older firms that have been trading more than 10 years are least likely to have grown over the past 5 years, and almost a fifth of this group (17%) have in fact become smaller. Micro SMEs (0-9 employees) are also least likely to have grown recently, with 43% either remaining the same size or becoming smaller, suggesting that they may be less resilient to challenging economic conditions.

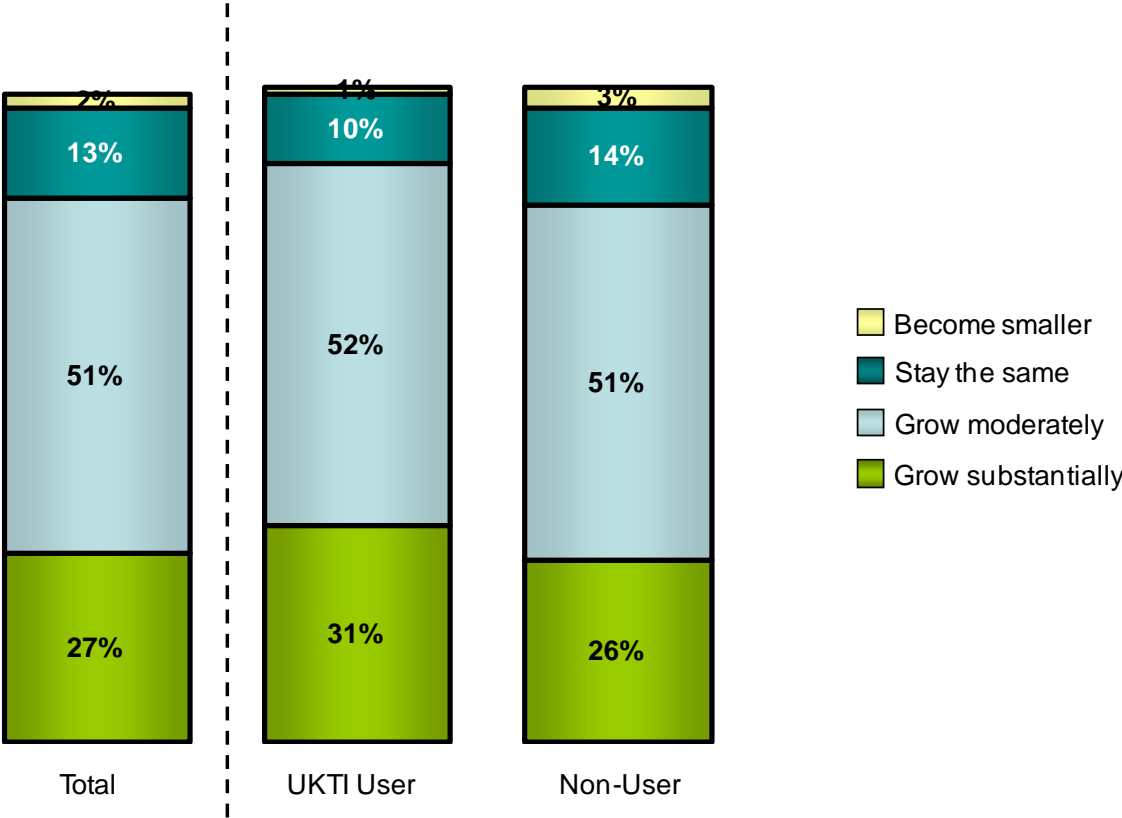
Table 9.1.1 Past Growth (Last 5 Years) - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All est. &gt;1 year</i>	127	198	549	23	495	518	222	67	63	807
Grown substantially	25%	24%	16%	8%	13%	13%	29%	33%	28%	19%
Grown moderately	50%	51%	40%	20%	45%	44%	44%	44%	43%	44%
Stayed the same	22%	15%	26%	60%	25%	26%	17%	16%	12%	23%
Become smaller	2%	9%	17%	12%	17%	17%	9%	8%	12%	14%
Don't know	0%	1%	1%	0%	1%	1%	0%	0%	5%	1%

## 9.2 Future Growth

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

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



Base: All respondents (Base, Don't know/refused)  
 Total (950, 6%), UKTI Users (303, 6%), Non-Users (647, 6%)

Whilst the majority of firms indicated that they expect to grow, most felt that this growth would be 'moderate' rather than 'substantial'. UKTI users are slightly more ambitious than non-users and are more likely to anticipate some level of growth over the next 5 years (and this difference is statistically significant).

The table below provides an analysis of the growth objectives of UKTI users and non-users over time. There is some indication that growth aspirations among UKTI users have fallen recently, with 89% anticipating growth in 2012 compared to 83% currently, although it should be noted this difference is not statistically significant.

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

	Total				UKTI Users				Non-Users			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
<i>Base</i>	902	903	900	950	235	248	189	303	667	655	711	647
Grow substantially	25%	28%	27%	27%	31%	29%	32%	31%	23%	27%	25%	26%
Grow moderately	58%	54%	54%	51%	55%	58%	57%	52%	59%	52%	53%	51%
Stay the same	13%	13%	15%	13%	10%	11%	10%	10%	14%	13%	17%	14%
Become smaller	2%	3%	2%	2%	1%	1%	0%	1%	2%	3%	3%	3%
Don't know	2%	2%	2%	6%	2%	2%	1%	6%	2%	4%	2%	6%

The following table provides a comparison with the growth expectation data collected in the main PIMS survey (covering UKTI users) and the PIMS Non-User survey.

Table 9.2.2 Growth Objectives (Next 5 Years) – Comparison with PIMS

	UKTI Users		Non-Users	
	Int Survey 2013	PIMS 27-30	Int Survey 2013	PIMS Non-Users 2013
<i>Base</i>	303	4584	647	301
Grow substantially	31%	42%	26%	23%
Grow moderately	52%	48%	51%	50%
Stay the same	10%	6%	14%	19%
Become smaller	1%	1%	3%	3%
Don't know	6%	2%	6%	5%

Results for non-users are broadly consistent between the Internationalisation Survey and the PIMS Non-User survey. However, in the case of UKTI users, the PIMS research shows significantly stronger growth aspirations, with 42% planning to grow substantially compared to just 31% in the Internationalisation Survey. This difference is likely to be linked to the timing of the interviews. The PIMS survey takes place c.6 months after firms access UKTI support, and it is likely that in some cases this support is driving firms' growth predictions, or that firms are using UKTI at the time they are seeking to grow (to help realise their ambitions). In contrast, in the Internationalisation survey firms are defined as UKTI users if they indicate that they have ever received UKTI support, so this 'recent support' impact is less likely to be a factor.

Younger firms have significantly more ambitious growth objectives than those established 10 years or more, suggesting that many firms' growth trajectory hits a plateau after this time. However, it is interesting to note that firms with fewer than 10 employees have less dynamic growth projections than larger firms, with just under a fifth (16%) simply aiming to remain the same size.

Table 9.2.3 Growth Objectives (Next 5 Years) - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Grow substantially	41%	35%	21%	18%	24%	24%	32%	38%	39%	27%
Grow moderately	46%	48%	54%	45%	52%	51%	52%	51%	49%	52%
Stay the same	7%	8%	16%	29%	15%	16%	8%	6%	7%	13%
Become smaller	1%	4%	2%	4%	3%	3%	1%	0%	0%	2%
Don't know	5%	6%	7%	4%	6%	6%	7%	5%	5%	6%

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

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

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	95	374	176	295	781	438	226	460	449
Grow substantially	47%	25%	21%	28%	25%	27%	27%	25%	26%
Grow moderately	46%	50%	56%	53%	52%	52%	52%	54%	52%
Stay the same	2%	17%	15%	9%	14%	11%	13%	12%	12%
Become smaller	0%	2%	4%	2%	2%	3%	2%	3%	2%
Don't know	5%	5%	5%	8%	6%	7%	7%	7%	7%

### 9.3 How Growth Objectives Will Be Achieved

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

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

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

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

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

Table 9.3.1 Meeting Growth Objectives - By Growth Objectives

Will this mainly be through...?		Total	Growth Objectives		
			Stay Same	Moderate Growth	Substantial Growth
<i>Base: All planning to grow or stay same</i>		875	116	486	273
Markets	Entering new overseas countries	9%	7%	8%	13%
	Increasing sales to existing countries	56%	73%	58%	44%
	Both	34%	19%	32%	43%
	Don't know	1%	2%	2%	1%
Customers	Selling to new customers	32%	18%	32%	37%
	Increasing sales to existing customers	19%	37%	18%	12%
	Both	48%	43%	49%	50%
	Don't know	1%	2%	0%	1%
Products/ Services	Introducing new products/ services	20%	13%	20%	22%
	Increasing sales of existing products/services	47%	63%	48%	38%
	Both	33%	22%	31%	40%
	Don't know	1%	2%	0%	0%
Summary	New countries	43%	26%	40%	56%
	Existing countries	89%	91%	90%	87%
	New Customers	80%	61%	81%	87%
	Existing customers	67%	80%	67%	62%
	New products/services	52%	35%	52%	62%
	Existing products/services	80%	85%	79%	78%

When it comes to the geographical focus of their growth ambitions, most firms are concentrating on the intensive margins (i.e. existing markets) rather than the extensive margins (i.e. new markets), with 89% and 43% focussing on each of these areas respectively. However, the proportion expecting to realise their growth objectives through new markets increases amongst those with more ambitious plans, with 56% of firms with 'substantial' growth aspirations indicating that they will achieve these by entering new markets (often in conjunction with increasing sales to existing countries).

A similar situation is seen when it comes to products and services, with firms more likely to feel that their growth objectives will be achieved through sales of existing products/services than by developing new ones (80% and 52% respectively). Firms that simply aim to remain the same size over the next 5 years are most likely to be focussing on their existing product range, whereas those intending to grow (particularly substantially) are comparatively more likely to feel that this growth will be at least partly driven by the introduction of new products/services.

However, a different situation is seen when it comes to the customer types that firms will be focussing on, with firms more likely to be targeting new customers than existing ones (80% and 67% respectively). That said, half of firms (48%) believe that it will be a combination of (increased) sales to existing customers and the identification of new customers that will help them meet their growth objectives. Again there is a difference between firms that aim to grow and those that are seeking to remain the same size, with the former significantly more likely to be prioritising sales to new customers, and the latter more likely to be focussing on increasing/maintaining sales to existing ones.

As seen below, there is little difference between users and non users in terms of how whether they are focussing on new/existing customers and new/existing products and services. However, UKTI users are significantly more likely to be planning growth through expansion into new countries (57% vs. 37% of non-users), although the proportion also focussing on existing markets is similar.

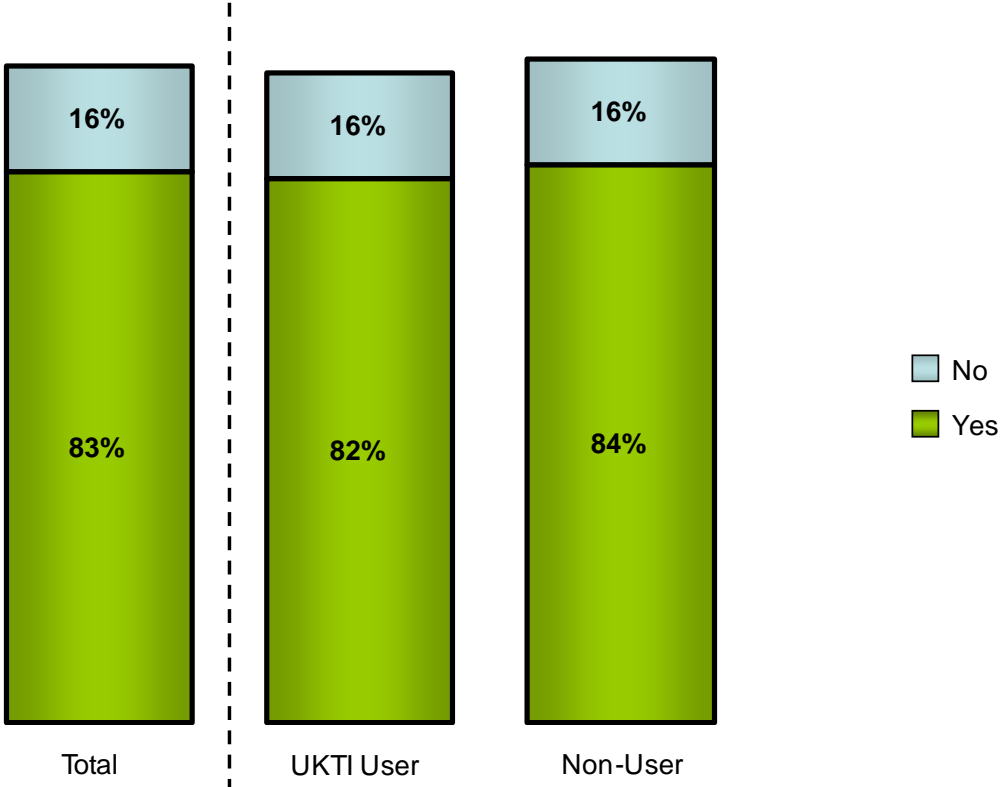
Table 9.3.2 Meeting Growth Objectives - By UKTI usage

Will this mainly be through...?		Total	UKTI Usage	
			UKTI Usage	Non-User
<i>Base: All planning to grow or stay same</i>		875	283	592
Markets	Entering new overseas countries	9%	12%	8%
	Increasing sales to existing countries	56%	43%	62%
	Both	34%	45%	28%
	Don't know	1%	0%	2%
Customers	Selling to new customers	32%	34%	31%
	Increasing sales to existing customers	19%	18%	20%
	Both	48%	48%	49%
	Don't know	1%	0%	1%
Products/ Services	Introducing new products/ services	20%	19%	20%
	Increasing sales of existing products/services	47%	43%	49%
	Both	33%	38%	30%
	Don't know	1%	0%	1%
Summary	New countries	43%	57%	37%
	Existing countries	89%	88%	90%
	New Customers	80%	82%	79%
	Existing customers	67%	66%	68%
	New products/services	52%	57%	50%
	Existing products/services	80%	80%	79%

### 9.4 Management Strategy for Achieving Growth Objectives

Firms were asked if their Senior Management team had a clear strategy for achieving their growth objectives, with results summarised below.

Chart 9.4.1 Management Strategy for Achieving Growth Objectives – By UKTI Usage



Base: All planning to grow or stay same size (Base, Don't know)  
 Total (875, 1%), UKTI Users (283, 1%), Non-Users (592, 1%)

The vast majority of internationalising firms (83%) believe that their senior management team has a clear strategy in place for how they will achieve their growth objectives. There is no difference in this respect between UKTI users and non-users.

As seen below, the likelihood of having a clear management strategy for achieving growth increases amongst larger companies. However, there are no statistically significant differences by age of firm.

Table 9.4.1 Management Strategy for Achieving Growth Objectives  
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All planning to grow or stay same size</i>	192	180	503	26	512	538	209	65	60	812
Yes	84%	86%	82%	70%	82%	81%	86%	91%	94%	83%
No	15%	13%	17%	26%	17%	18%	14%	9%	6%	16%
Don't know/Refused	1%	1%	1%	4%	1%	1%	1%	0%	0%	1%

Firms with 'substantial' growth objectives are more likely to indicate that the senior management team has a clear strategy for achieving these. Unsurprisingly, there is also a clear link between firms having a formal business plan and the management team having a clear growth strategy. That said, 73% of those without a written business plan claim to have a clear growth strategy, indicating that a significant proportion of businesses have concrete plans in place but choose not to formally document them.

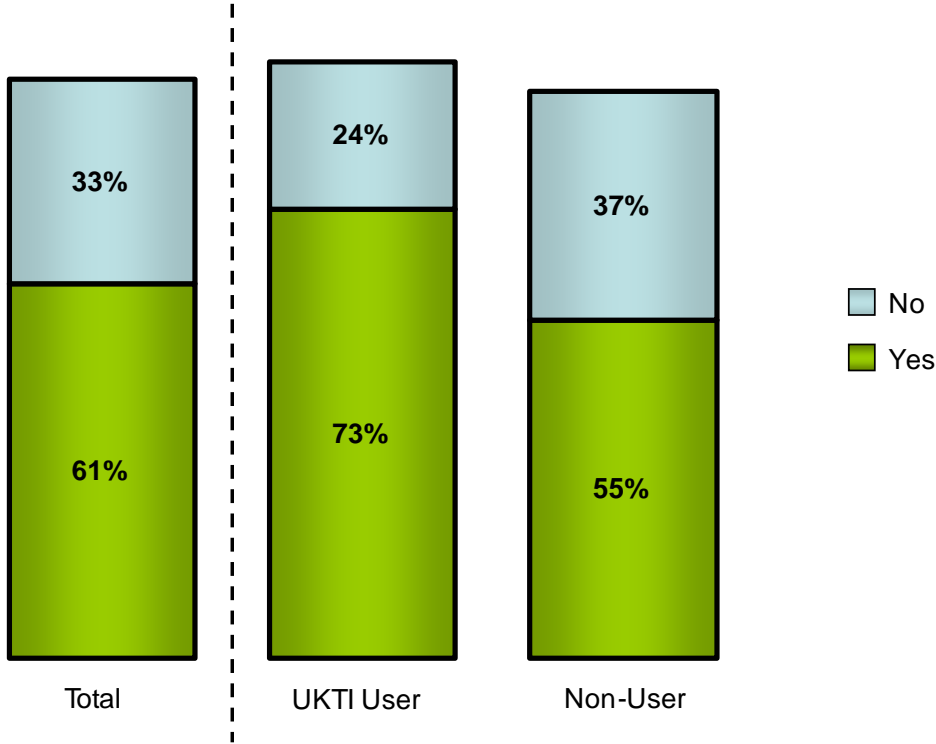
Table 9.4.2 Management Strategy for Achieving Growth Objectives  
- By Growth Objectives & Business Planning

	Growth Objectives			Current Business Plan		
	Stay same	Moderate growth	Substantial growth	Yes, with overseas targets	Yes, but no overseas targets	No plan
<i>Base: All planning to grow or stay same size</i>	116	486	273	328	215	303
Yes	80%	81%	89%	92%	86%	73%
No	20%	18%	10%	8%	13%	26%
Don't know/Refused	1%	1%	1%	0%	1%	1%

### 9.5 Management Strategy for Developing Overseas Business

Firms were further asked if their senior management team had a clear strategy for developing their overseas business, with results summarised below.

Chart 9.5.1 Management Strategy for Developing Overseas Business – By UKTI Usage



Base: All respondents (Base, Don't know, Not aiming to develop overseas business)  
 Total (950, 2%, 5%), UKTI Users (189, 1%, 1%), Non-Users (711, 2%, 6%)

The majority of internationalising firms report that their senior management team has a clear strategy for the development of their overseas business (61%). Encouragingly, this proportion increases significantly amongst UKTI clients (73%).

As seen below, the larger the company the more likely it is to have a clear strategy in place for developing its overseas business. However, there is no statistically significant difference in this respect by age of firm.

Table 9.5.1 Management Strategy for Developing Overseas Business  
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Yes	63%	64%	59%	45%	58%	58%	62%	79%	88%	61%
No	30%	30%	35%	55%	35%	36%	32%	18%	12%	33%
Don't know/refused	2%	3%	1%	0%	1%	1%	2%	3%	0%	2%
Not aiming to develop overseas business	4%	4%	5%	0%	5%	5%	4%	0%	0%	5%

As detailed in the table below, the more ambitious a firm's growth objectives, the more likely they are to indicate that the senior management has a clear strategy for developing their overseas business, suggesting that overseas sales are fundamental to meeting these growth aspirations. However, it is still the case that 25% of internationalising firms that are aiming to grow substantially do not have a clear overseas strategy.

Unsurprisingly, firms who have a business plan that specifies targets for overseas sales are most likely to indicate that they have a clear overseas development strategy.

Table 9.5.2 Management Strategy for Developing Overseas Business  
- By Growth Objectives & Business Planning

	Growth Objectives			Current Business Plan		
	Stay same	Moderate growth	Substantial growth	Yes, with overseas targets	Yes, but no overseas targets	No plan
<i>Base</i>	116	486	273	345	231	340
Yes	51%	62%	70%	79%	46%	54%
No	39%	33%	25%	19%	45%	39%
Don't know/Refused	3%	1%	3%	2%	1%	1%
Not aiming to develop overseas business	7%	4%	2%	1%	8%	6%

## 9.6 Business Planning

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

Table 9.6.1 Formal Business Plans – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	950	303	647
<b>Do you have a current written business plan?</b>			
Yes	57%	67%	52%
In progress	3%	1%	3%
No	38%	31%	42%
Don't know	2%	2%	3%
<b>Does the plan contain targets relating to revenues from overseas sales?</b>			
Yes	34%	50%	26%
No	25%	17%	28%
Don't know	1%	1%	1%
No business plan	38%	31%	42%
Don't know if have business plan	2%	2%	3%

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

The table below provides details of how the proportion of internationalising firms with a business plan has changed over time. Please note that it is not possible to track the incidence of plans with overseas targets, as this question was only included in the 2013 survey wave.

Table 9.6.2 Formal Business Plans – Over Time

	Total					UKTI Users					Non-Users				
	2008	2010	2011	2012	2013	2008	2010	2011	2012	2013	2008	2010	2011	2012	2013
<i>Base</i>	900	902	903	900	950	311	235	248	189	303	589	667	655	711	647
Yes	61%	57%	59%	49%	57%	68%	68%	74%	64%	67%	58%	53%	52%	45%	52%
In progress	-	-	-	2%	3%	-	-	-	3%	1%	-	-	-	2%	3%
No	33%	38%	38%	46%	38%	30%	27%	25%	32%	31%	35%	42%	43%	50%	42%
Don't know	5%	5%	3%	2%	2%	2%	5%	2%	1%	2%	7%	5%	4%	2%	3%

Aside from a sharp dip in 2012, the proportion of firms with a written business plan has been broadly consistent over time.

As seen below, older firms are least likely to have a current business plan but, on the other hand, the larger the firm the more likely it is to have a plan in place. This indicates that firms that have been established for over 10 years but still have relatively few employees are least likely to have formal business plans.

Table 9.6.3 Formal Business Plans - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
<b>Do you have a current written business plan?</b>										
Yes	62%	65%	52%	35%	51%	51%	66%	73%	91%	56%
In progress	6%	2%	2%	3%	3%	3%	2%	0%	0%	3%
No	31%	32%	43%	63%	44%	45%	29%	23%	4%	39%
Don't know	1%	1%	3%	0%	1%	1%	4%	5%	5%	2%
<b>Does the plan contain targets relating to revenues from overseas sales?</b>										
Yes	37%	39%	31%	23%	27%	27%	42%	58%	73%	33%
No	29%	27%	23%	15%	27%	26%	25%	13%	12%	25%
Don't know	2%	1%	0%	0%	1%	1%	0%	1%	6%	1%
No business plan	31%	32%	43%	63%	44%	45%	29%	23%	4%	39%
Don't know if have business plan	1%	1%	3%	0%	1%	1%	4%	5%	5%	2%

Firms that are not currently in any overseas markets (but planning to export in the next year) and those that operate in more than 10 markets are most likely to have a business plan or be in the process of writing one. The latter group are also significantly more likely to have a plan containing overseas targets.

Table 9.6.4 Formal Business Plans  
– By Number of Markets & Regions Doing Business In

	Number of Markets				Regions					
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific	
<i>Base</i>	95	374	176	295	781	438	226	460	449	
<b>Do you have a current written business plan?</b>										
Yes	60%	55%	51%	61%	56%	56%	57%	58%	57%	
In progress	11%	2%	2%	2%	2%	2%	1%	1%	2%	
No	29%	41%	46%	33%	39%	39%	38%	38%	38%	
Don't know	0%	2%	1%	5%	3%	3%	4%	3%	3%	
<b>Does the plan contain targets relating to revenues from overseas sales?</b>										
Yes	23%	26%	31%	50%	35%	39%	42%	40%	41%	
No	47%	30%	21%	11%	23%	18%	15%	19%	17%	
Don't know	1%	1%	1%	1%	1%	1%	1%	1%	1%	
No business plan	29%	41%	46%	33%	39%	39%	38%	38%	38%	
Don't know if have business plan	0%	2%	1%	5%	3%	3%	4%	3%	3%	

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

Table 9.6.5 Formal Business Plans - By Growth Objectives & Business Planning

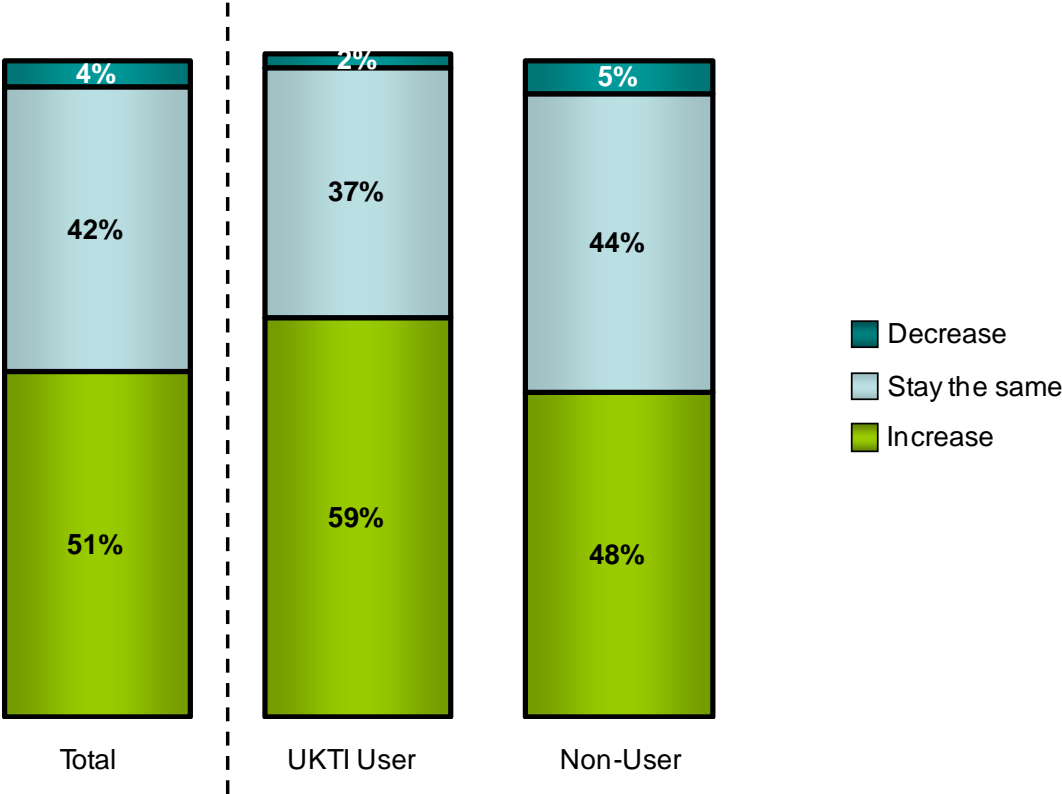
	Growth Objectives		
	Stay same	Moderate growth	Substantial growth
<i>Base</i>	116	486	273
<b>Do you have a current written business plan?</b>			
Yes	35%	55%	75%
In progress	1%	2%	4%
No	63%	40%	21%
Don't know	2%	3%	0%
<b>Does the plan contain targets relating to revenues from overseas sales?</b>			
Yes	10%	32%	52%
No	25%	25%	26%
Don't know	0%	1%	2%
No business plan	63%	40%	21%
Don't know if have business plan	2%	3%	0%

## 9.7 Expected Overseas Growth

### 9.7.1 Number of Markets

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

Chart 9.7.1.1 Anticipated Change in Number of Markets (Next 3 Years) – By UKTI Usage



Base: All respondents (Base, Don't know/refused)  
 Total (950, 3%), UKTI Users (303, 2%), Non-Users (647, 3%)

Half of internationalising firms expect to expand into more markets over the next 3 years, with only a very small minority (4%) anticipating a decline in this respect.

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

At the total level, the proportion of firms expecting to increase the number of markets they operate in has remained broadly consistent over the last 4 years. There is some indication that UKTI users are more optimistic in this respect than they were in 2012, although the difference is not statistically significant and the figures are still slightly lower than those reported in 2010 and 2011.

Table 9.7.1.1 Anticipated Change in Number of Markets (Next 3 Years) – Over Time

	Total				UKTI Users				Non-Users			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
<i>Base</i>	902	903	900	950	235	248	189	303	667	655	711	647
Increase	50%	53%	48%	51%	63%	64%	52%	59%	45%	49%	47%	48%
Stay the same	44%	40%	47%	42%	33%	31%	44%	37%	48%	44%	48%	44%
Decrease	5%	3%	4%	4%	5%	2%	3%	2%	5%	4%	4%	5%
Don't know/refused	2%	3%	2%	3%	0%	3%	1%	2%	2%	3%	2%	3%

Although older firms tend to be active in a greater number of markets, it is younger firms that are more positive in terms of their growth plans, with 75% of firms established in the last 5 years expecting to enter new markets, compared to less than half of older firms. There is no clear pattern by size of firm in this respect.

Table 9.7.1.2 Anticipated Change in Number of Markets (Next 3 Years)  
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Increase	75%	50%	45%	51%	50%	50%	57%	45%	60%	52%
Stay the same	21%	44%	47%	45%	42%	42%	37%	52%	37%	42%
Decrease	2%	4%	5%	4%	5%	5%	3%	1%	2%	4%
Don't know/refused	2%	2%	3%	0%	3%	3%	3%	2%	2%	3%

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

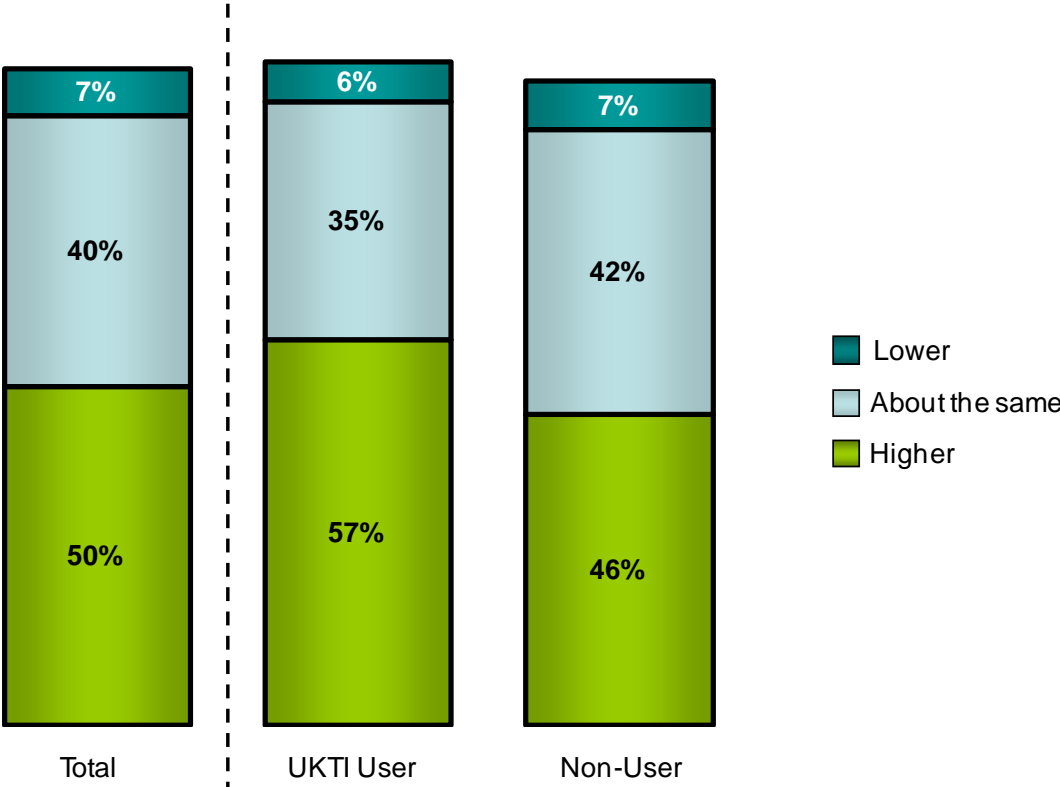
Table 9.7.1.3 Anticipated Change in Number of Markets (Next 3 Years)  
- By Growth Objectives

	Growth Objectives		
	Stay same	Moderate growth	Substantial growth
<i>Base</i>	116	486	273
Increase	18%	51%	75%
Stay the same	66%	45%	23%
Decrease	8%	3%	1%
Don't know/refused	7%	1%	1%

9.7.2 Export Turnover

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

Chart 9.7.2.1 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) – By UKTI Usage



Base: All respondents (Base, Don't know/refused)  
 Total (950, 3%), UKTI Users (303, 1%), Non-Users (647, 4%)

Reflecting the fact that 51% of firms expect to increase the number of markets they operate in, 50% of internationalising firms also anticipate an increase in the importance of overseas sales to their total turnover.

Again, UKTI users are more ambitious or positive when it comes to their plans for overseas growth, with 57% expecting an increase in the proportion of turnover coming from overseas sales compared to 46% of non-users.

There is some indication the number of firms anticipating an increase in the proportion of their turnover accounted for by overseas sales has risen over the past 3 years, but this is not statistically significant.

Table 9.7.2.1 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) – Over Time

	Total				UKTI Users				Non-Users			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
<i>Base</i>	902	903	900	950	235	248	189	303	667	655	711	647
Higher	46%	47%	47%	50%	56%	52%	53%	57%	42%	44%	44%	46%
About the same	44%	45%	43%	40%	36%	41%	40%	35%	46%	46%	43%	42%
Lower	7%	6%	7%	7%	6%	4%	5%	6%	7%	7%	8%	7%
Don't know/refused	4%	3%	4%	3%	2%	3%	2%	1%	5%	3%	4%	4%

As seen below, younger firms are significantly more positive about the likely increase in their overseas turnover. Whereas there was no clear pattern by size of firm when it came to the expected change in number of markets, there is a relationship with growth in export turnover and larger firms are more inclined to forecast an increase in the proportion of sales accounted for by overseas sale. It

Table 9.7.2.2 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Higher	66%	51%	44%	54%	47%	47%	54%	54%	70%	49%
About the same	26%	39%	44%	46%	41%	41%	39%	40%	25%	40%
Lower	5%	7%	8%	0%	9%	9%	4%	3%	3%	7%
Don't know/refused	3%	3%	4%	0%	4%	3%	3%	3%	2%	3%

Firms that are already doing business in 6 or more markets are more likely than those in fewer markets to forecast an increase in the proportion of their turnover accounted for by overseas sales. The exception to this is firms that are not yet doing business in any overseas markets as, by definition, their overseas sales must be expected to increase (because they qualified for the survey on the basis that they plan to start exporting in the next 12 months).

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

Table 9.7.2.3 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) – By No. of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	95	374	176	295	781	438	226	460	449
Higher	100%	38%	48%	50%	45%	47%	48%	47%	46%
About the same	0%	46%	42%	43%	44%	43%	45%	44%	45%
Lower	0%	11%	6%	4%	8%	7%	4%	6%	6%
Don't know/refused	0%	4%	4%	2%	4%	3%	4%	3%	3%

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

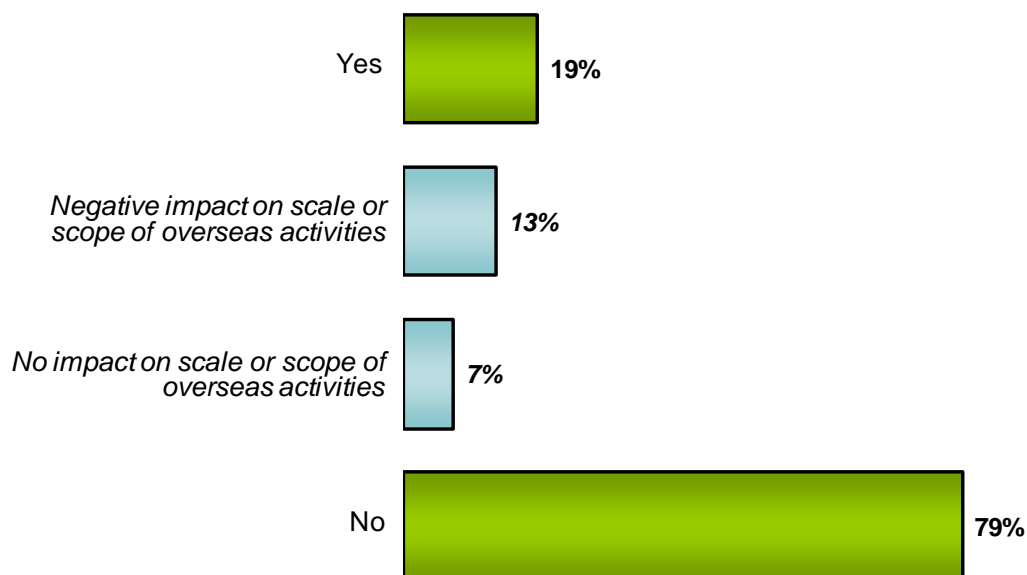
Table 9.7.2.3 Anticipated Change in Proportion of Turnover Accounted for by Overseas Sales (Next 3 Years) - By Growth Objectives

	Growth Objectives		
	Stay same	Moderate growth	Substantial growth
<i>Base</i>	116	486	273
Higher	20%	48%	72%
About the same	62%	44%	20%
Lower	9%	5%	6%
Don't know/refused	8%	2%	1%

## 9.8 Difficulties Accessing Finance

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

Chart 9.8.1 Whether Difficulties Accessing Finance in Last 6 Months



Base: All respondents (Base, Don't know/Refused) (950, 2%)

Approaching a fifth of all internationalising firms (19%) have experienced difficulties accessing finance in the past 6 months, and in most cases this was felt to have had a negative impact on their overseas business.

As seen below, the number of firms reporting difficulty in accessing finance is the same as it was last year, and is still significantly lower than it was in 2011 (but significantly higher than in 2010). The impact of this on firms' overseas activities follows a similar pattern (i.e. same as 2012, lower than 2011, higher than 2010).

Table 9.8.1 Whether Difficulties Accessing Finance in Last 6 Months  
– By UKTI Usage & Over Time

	Total				UKTI Users				Non-Users			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Base	902	903	900	950	235	248	189	303	667	655	711	647
Yes	15%	25%	19%	19%	18%	28%	23%	23%	14%	24%	18%	17%
- Negative impact on overseas activities	9%	17%	13%	13%	13%	17%	17%	16%	8%	17%	11%	11%
- No impact on overseas activities	6%	8%	6%	7%	5%	11%	6%	7%	6%	7%	6%	6%
No	83%	73%	80%	79%	81%	71%	75%	75%	84%	73%	81%	81%
Don't know / refused	2%	3%	1%	2%	1%	248	2%	2%	2%	3%	1%	2%

The above table provides consistent evidence to suggest that UKTI users are more likely to have difficulty accessing finance. As seen previously, UKTI users tend to have more ambitious growth objectives (particularly for their overseas business), so this difference may be at least partly down to a higher proportion of UKTI users actually attempting to obtain finance.

As seen below, the younger the firm the more likely it is to encounter problems accessing finance and report that this has had a negative impact on their overseas business.

There does not appear to be any relationship between size of firm and the likelihood of encountering problems accessing finance. However, it is interesting to note that although SMEs and large firms (250+ employees) are equally likely to experience difficulties, SMEs do appear more likely to feel that this has had a detrimental effect on their overseas activities (13% vs. 5%), although it should be noted that this difference is not statistically significant.

Table 9.8.2 Whether Difficulties Accessing Finance in Last 6 Months  
– By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Yes	28%	20%	16%	20%	20%	20%	20%	15%	19%	19%
- <i>Negative impact on overseas activities</i>	20%	13%	10%	7%	14%	14%	11%	9%	5%	13%
- <i>No impact on overseas activities</i>	7%	7%	6%	13%	5%	6%	9%	6%	13%	7%
No	70%	79%	81%	80%	79%	79%	76%	84%	78%	79%
Don't know/refused	2%	1%	2%	0%	1%	1%	4%	2%	3%	2%

There is also evidence that the likelihood of experiencing difficulties accessing finance recedes once firms have been exporting for over 10 years.

Table 9.8.3 Whether Difficulties Accessing Finance in Last 6 Months  
– By Overseas Experience

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	97	117	214	368	351	124	345	109	107	201
Yes	25%	23%	24%	22%	15%	23%	21%	17%	23%	17%
- <i>Negative impact on overseas activities</i>	19%	16%	17%	13%	10%	17%	12%	10%	16%	14%
- <i>No impact on overseas activities</i>	7%	6%	6%	9%	4%	7%	9%	7%	7%	3%
No	74%	75%	74%	77%	83%	75%	77%	83%	75%	82%
Don't know/refused	1%	2%	2%	1%	2%	2%	2%	0%	2%	1%

There are no significant differences between innovative and non innovative firms in terms of access to finance, nor between those who are IP active and those who are not.

Table 9.8.4 Whether Difficulties Accessing Finance in Last 6 Months  
– By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	462	689	261	256	674
Yes	22%	21%	16%	22%	18%
- <i>Negative impact on overseas activities</i>	15%	14%	10%	15%	12%
- <i>Negative impact on product/service dev't</i>	7%	7%	5%	6%	7%
No	77%	78%	82%	77%	80%
Don't know/refused	1%	2%	2%	1%	2%

Firms with substantial growth aspirations are most likely to experience difficulties accessing finance, suggesting that this could potentially be a barrier to the realisation of this growth. It is worth noting that 25% of the key group of 'innovative high growth' firms have had difficulties raising finance.

Table 9.8.5 Whether Difficulties Accessing Finance in Last 6 Months  
– By Innovation & Growth

	Growth Objectives			Innovation & Growth		
	Stay same	Moderate growth	Substantial growth	Innovative		Non-innovative
				Expect substantial growth	Other	
<i>Base</i>	116	486	273	215	474	261
Yes	16%	18%	24%	25%	19%	16%
- <i>Negative impact on overseas activities</i>	11%	12%	16%	16%	12%	10%
- <i>No impact on overseas activities</i>	5%	6%	8%	9%	6%	5%
No	82%	80%	75%	74%	79%	82%
Don't know/refused	2%	2%	2%	2%	2%	2%

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

Table 9.8.6 Growth Profile – By Difficulties Accessing Finance

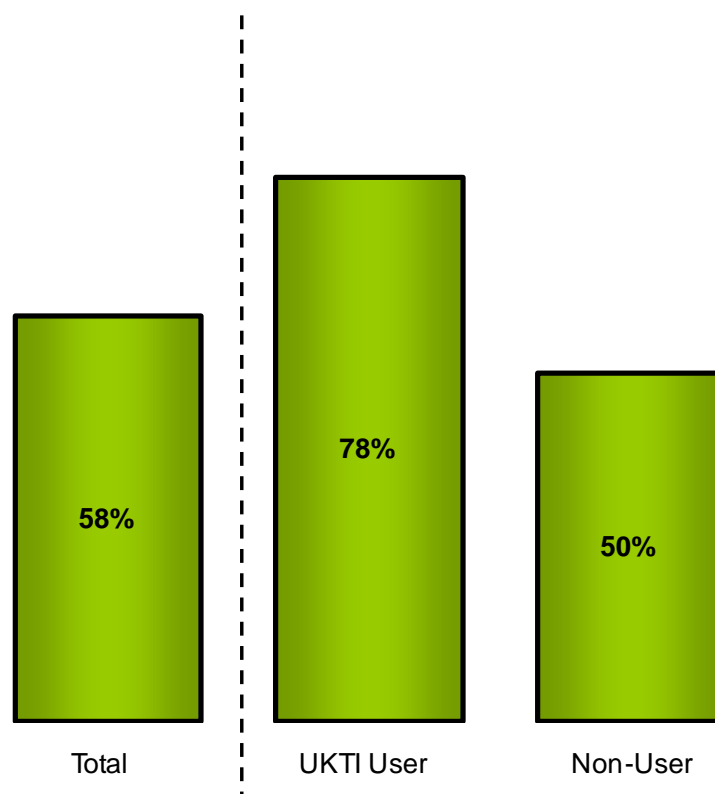
		Difficulty accessing finance		
		Yes & impacted on overseas activities	Yes but no impact on overseas activities	No
<i>Base</i>		119	67	742
Past growth (last 5 years)	Grown substantially	21%	21%	18%
	Grown moderately	40%	33%	46%
	Remained same size	17%	32%	23%
	Become smaller	22%	16%	12%
Future growth (next 5 years)	Grow substantially	34%	34%	26%
	Grow moderately	49%	47%	52%
	Remain same size	11%	11%	13%
	Become smaller	1%	4%	2%
Number of overseas markets (next 3 years)	Increase	63%	42%	50%
	Stay the same	32%	50%	43%
	Decrease	3%	6%	4%
Exports as % of turnover (next 3 years)	Higher	53%	56%	48%
	About the same	35%	29%	42%
	Lower	11%	11%	6%

Overall, there is no evidence that firms that have experienced difficulties accessing finance have lower growth expectations than those that have not. Firms that have experienced problems in this respect are in fact significantly more likely to be planning substantial growth over the next 5 years.

## 9.9 Event Attendance

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

Chart 9.9.1 Proportion Attending Business Events in Last Year – By UKTI Usage



Base: All respondents (Base, Don't know/refused)  
Total (950, 0%), UKTI Users (303, 0%), Non-Users (647, 0%)

Over half of all internationalising firms have attended business events in the last year, with this rising to 78% in the case of UKTI users.

As seen below, larger firms and those established for over 5 years are most likely to attend seminars, tradeshows and conferences.

Table 9.9.1 Proportion Attending Business Events in Last Year - By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Yes	50%	62%	60%	56%	54%	54%	66%	70%	72%	59%
No	50%	38%	40%	44%	46%	46%	34%	30%	28%	41%

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

Table 9.9.2 Proportion Attending Business Events in Last Year  
– By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	95	374	176	295	781	438	226	460	449
Yes	58%	51%	60%	69%	60%	64%	62%	64%	64%
No	42%	49%	40%	31%	40%	36%	38%	37%	36%

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

Table 9.9.3 Proportion Attending Business Events in Last Year  
- By Growth Objectives

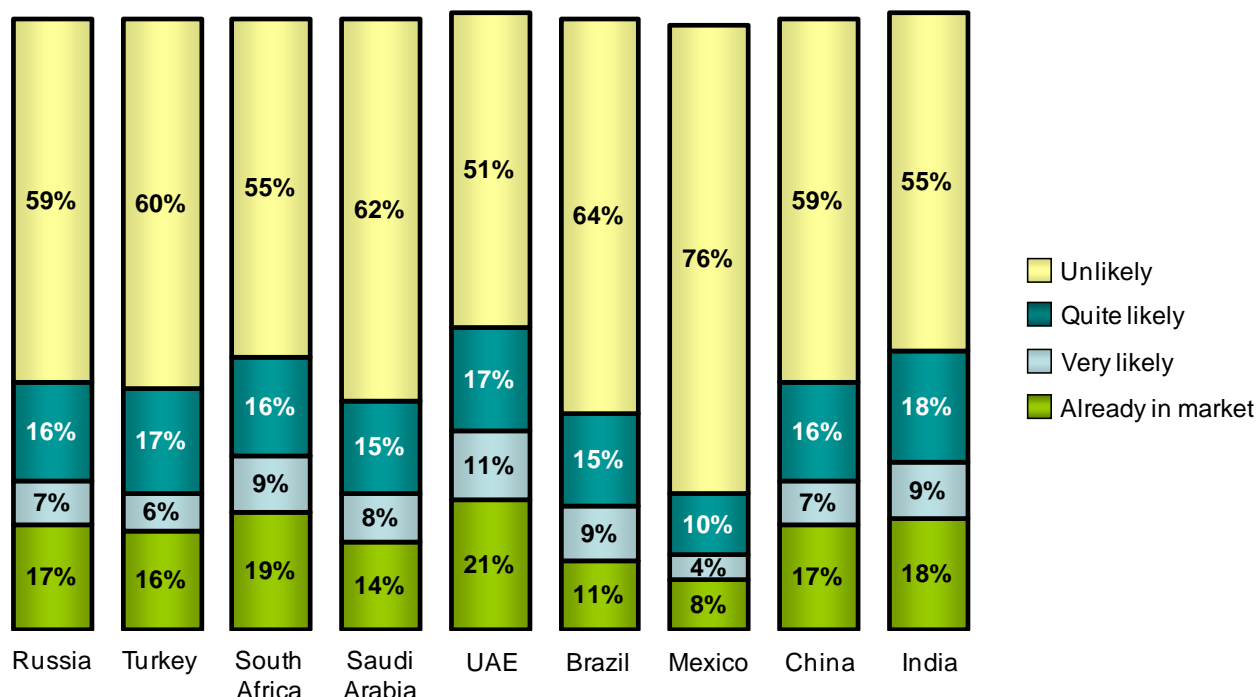
	Growth Objectives		
	Stay same	Moderate growth	Substantial growth
<i>Base</i>	116	486	273
Yes	40%	60%	65%
No	60%	40%	35%

## 10. High Growth Markets

### 10.1 Opportunities in High Growth Markets

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

Chart 10.1.1 Opinions on Opportunities in High Growth Markets



Base: All respondents (Base, Don't know) (950, 1%, 1%, 1%, 1%, 1%, 2%, 2%, 1%, 1%)

Of these markets, it appears that the UAE represents the best opportunity for internationalising firms, with 21% of firms already doing business there and a further 11% very likely to do so in the next 2 years.

There is comparatively little enthusiasm for doing business in Latin America, with just 8% of firms already active in Mexico (with only another 4% very likely to enter it in the next 2 years) and 11% active in Brazil (with 9% very likely to enter it).

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

**Opportunities In High Growth Markets - Summary**

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

- Are already in at least one high growth market

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

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

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

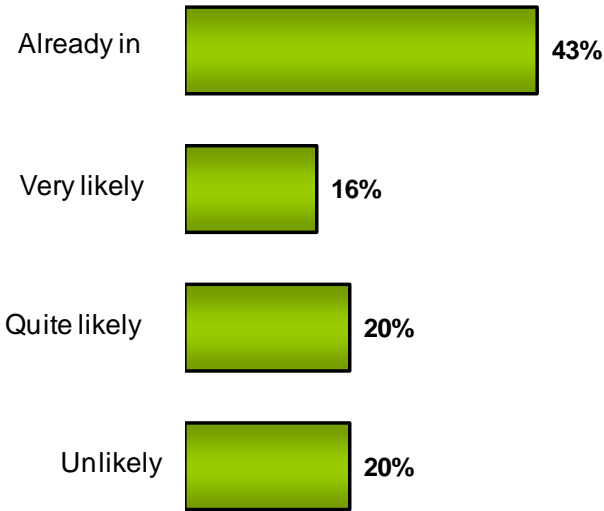
- Are not already in any of the high growth markets
- Do not feel that they are ‘very likely’ to do business in any in the next 2 years
- But feel they are ‘quite likely’ to do business in at least one in next 2 years

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

- Are not already in any of the high growth markets

When the data is viewed in this way, it shows that 43% of internationalising firms are already doing business in at least one of these high growth markets. Only a fifth of firms thought it was unlikely that they would do business in any of these markets in the next two years.

Chart 10.1.2 Opportunities in High Growth Markets (Summary)



Base: All respondents (Base, Don't know) (950, 0%)

Over half of UKTI users are already in at least one of these markets and only 8% feel that they are unlikely to enter one in the next 2 years. In contrast, over a quarter (26%) of non-users are not in any high growth markets and have no intention of entering any.

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

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	950	303	647
Already in	43%	64%	34%
Very likely	16%	16%	16%
Quite likely	20%	13%	23%
Unlikely	20%	8%	26%
Don't know	0%	0%	1%

The table below tracks how activity and interest in high growth markets has changed over time. There has been a significant increase since 2012 in the proportion of UKTI users that are operating in high growth markets

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

	Total				UKTI Users				Non-Users			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
<i>Base</i>	902	903	900	950	235	248	189	303	667	655	711	647
Already in	48%	46%	41%	43%	61%	59%	54%	64%	44%	40%	37%	34%
Very likely	10%	15%	12%	16%	11%	16%	11%	16%	9%	14%	12%	16%
Quite likely	22%	19%	23%	20%	18%	14%	21%	13%	23%	21%	24%	23%
Unlikely	19%	20%	24%	20%	10%	10%	14%	8%	22%	24%	27%	26%
Don't know	1%	1%	0%	0%	0%	0%	1%	0%	2%	1%	0%	1%

The table below provides a more detailed time series analysis by individual market. Please note that in 2011 respondents were asked about “UAE or Saudi Arabia” (rather than assessing these markets separately), so as a result the data for these markets has been combined in 2012 and 2013 to allow comparisons to be made over time

Table 10.1.3 Opportunities in Individual High Growth Markets – Over Time

	Russia			Turkey			South Africa			UAE or Saudi Arabia		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
<i>Base</i>	903	900	950	903	900	950	903	900	950	903	900	950
Already in	17%	13%	17%	16%	16%	16%	22%	14%	19%	23%	22%	23%
Very likely	5%	4%	7%	6%	4%	6%	5%	5%	9%	8%	7%	10%
Quite likely	14%	14%	16%	18%	12%	17%	18%	18%	16%	18%	18%	17%
Unlikely	62%	67%	59%	58%	66%	60%	52%	61%	55%	50%	52%	49%
Don't know	2%	1%	1%	2%	2%	1%	2%	2%	1%	2%	1%	1%

	Brazil			Mexico			China			India		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
<i>Base</i>	903	900	950	903	900	950	903	900	950	903	900	950
Already in	15%	10%	11%	13%	9%	8%	22%	16%	17%	21%	15%	18%
Very likely	5%	5%	9%	3%	3%	4%	8%	7%	7%	9%	7%	9%
Quite likely	13%	14%	15%	11%	10%	10%	14%	18%	16%	17%	20%	18%
Unlikely	65%	70%	64%	71%	77%	76%	54%	58%	59%	51%	57%	55%
Don't know	3%	1%	2%	2%	2%	2%	2%	1%	1%	2%	2%	1%

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

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

	Age (Years Trading)			Size (Number of Employees)							
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs	
				0	1-9	Total					
<i>Base</i>	203	198	549	28	559	587	227	68	63	882	
Already in	33%	41%	46%	29%	38%	37%	51%	60%	72%	43%	
Very likely	22%	17%	14%	16%	17%	17%	16%	12%	9%	16%	
Quite likely	30%	21%	17%	17%	23%	23%	17%	7%	12%	20%	
Unlikely	14%	20%	22%	37%	22%	23%	15%	21%	7%	20%	
Don't know	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	

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

Table 10.1.5 Opportunities in High Growth Markets (Summary)  
– By Growth Objectives & Attitude to Risk

	Growth Objectives		
	Stay same	Moderate Growth	Substantial Growth
<i>Base</i>	116	486	273
Already in	39%	43%	41%
Very likely	11%	14%	25%
Quite likely	16%	21%	23%
Unlikely	32%	21%	11%
Don't know	1%	0%	0%

As detailed below, there is evidence that firms tend to enter high growth markets later in their international life-cycle, with those that have been exporting longest significantly more likely to be operating in these markets. It is also the case that the more important overseas sales are to a firm (in terms of contribution to total turnover), the more likely it is to be active in high growth markets.

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

	Years Exporting					Exports as % of Turnover				
	0-2			2-10	>10	0%	1-10%	11-25%	26-50%	>50%
	0	<2	Total							
<i>Base</i>	97	117	214	368	351	124	345	109	107	201
Already in	3%	37%	21%	42%	56%	5%	30%	57%	66%	66%
Very likely	41%	14%	27%	16%	11%	32%	13%	16%	11%	14%
Quite likely	38%	28%	33%	20%	13%	38%	23%	16%	17%	10%
Unlikely	17%	21%	19%	22%	19%	25%	34%	11%	6%	9%
Don't know	0%	0%	0%	1%	0%	0%	1%	0%	0%	0%

The more markets and overseas regions a firm is active in, the more likely it is to be doing business in any of the high growth markets. That said, a significant minority of firms that are doing business in just 1-5 markets or just a single region are already active in high growth markets.

Table 10.1.7 Opportunities in High Growth Markets (Summary)  
– By Number of Markets & Regions

	Number of Markets				Number of Overseas Regions					
	0	1-5	6-10	>10	None	One	Two	Three	Four	Five
<i>Base</i>	95	374	176	295	95	226	176	172	145	136
Already in	3%	20%	57%	79%	3%	16%	41%	48%	70%	87%
Very likely	40%	12%	17%	14%	40%	10%	13%	20%	19%	8%
Quite likely	39%	28%	17%	5%	39%	23%	23%	22%	10%	5%
Unlikely	17%	39%	9%	2%	17%	50%	22%	10%	2%	1%
Don't know	0%	1%	0%	0%	0%	0%	1%	0%	0%	0%

IP active firms are more likely to be operating in high growth markets, but there is no significant difference in this respect between innovative and non-innovative firms.

Table 10.1.8 Opportunities in High Growth Markets (Summary)  
– By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
<i>Base</i>	462	689	261	256	674
Already in	47%	44%	41%	51%	40%
Very likely	18%	16%	17%	19%	15%
Quite likely	20%	20%	20%	19%	21%
Unlikely	15%	20%	21%	11%	24%
Don't know	0%	0%	0%	0%	0%

As might be expected, 'born global' firms (particularly via the alternative, tighter definition) are more likely to be in these markets than other young firms that internationalised at some point after they were established.

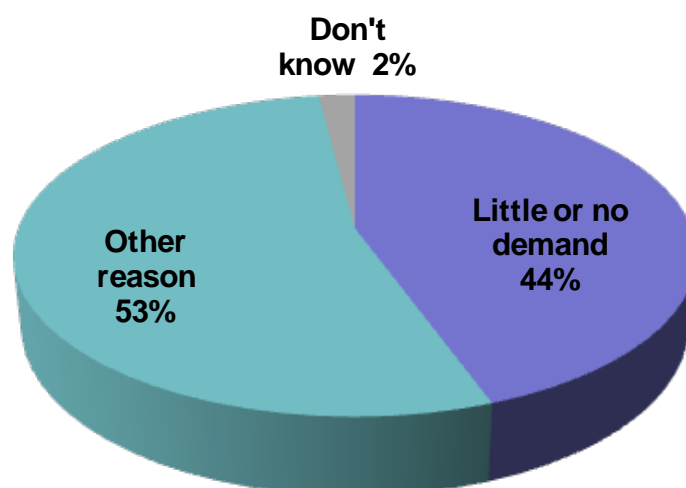
Table 10.1.9 Opportunities in High Growth Markets (Summary)  
– By Born Global & Young, Tech Intensive

	Up to 5 years old				Over 5 years old
	Total	Born global	Born global (alternative)	Young, tech intensive	
<i>Base</i>	203	95	34	92	747
Already in	33%	45%	61%	40%	45%
Very likely	22%	16%	15%	19%	15%
Quite likely	30%	26%	18%	29%	18%
Unlikely	14%	13%	6%	13%	22%
Don't know	0%	0%	0%	0%	0%

## 10.2 Reasons for Not Doing Business in High Growth Markets

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

Chart 10.2.1 Reasons for Not Considering High Growth Markets



Base: All unlikely to do business in any market (Base, Don't know) (874, 2%)

Approaching half of those firms that are not likely to enter one of the high growth markets indicated that this is because they perceive there to be little or no demand for their products and services there.

The table below provides a similar analysis by individual market, and indicates that Turkey and South Africa were the markets most likely to be avoided due to a lack of demand for the firm's products and services. China, Brazil and Russia were most likely to be discounted for other reasons, which may relate to the perceived difficulties involved (and in the case of China and Russia this would be consistent with other evidence on the risks faced and barriers encountered in these markets, as set out in Sections 11 and 13 of this report).

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

	Russia	Turkey	South Africa	UAE	Saudi Arabia	Brazil	Mexico	China	India
<i>Base: All unlikely to enter selected market</i>	80	100	93	90	90	111	139	98	73
Little or no demand	34%	59%	58%	50%	48%	33%	45%	28%	45%
Other reason	62%	40%	38%	47%	50%	65%	54%	69%	54%
Don't know	4%	1%	4%	3%	1%	2%	2%	3%	2%

As shown below, there are no significant differences between UKTI users and non-users in this respect.

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

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base: All unlikely to enter selected market</i>	874	273	601
Little or no demand	44%	41%	46%
Other reason	53%	57%	52%
Don't know	2%	2%	3%

There is also no consistent pattern in this respect by age of firm, and no significant differences by firm size.

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

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All unlikely to enter selected market</i>	188	183	503	28	524	552	206	59	52	817
Little or no demand	52%	35%	46%	45%	43%	43%	47%	46%	40%	44%
Other reason	47%	62%	52%	55%	54%	54%	52%	49%	52%	53%
Don't know	1%	3%	3%	0%	2%	2%	2%	5%	7%	2%

As shown below, there is also no difference when looking at these reasons by firms' growth objectives.

Table 10.2.4 Reasons for Not Considering High Growth Markets  
- By Growth Objectives & Attitude to Risk

	Growth Objectives		
	Stay same	Mod. Growth	Sub. Growth
<i>Base: All unlikely to enter selected market</i>	112	449	246
Little or no demand	44%	45%	46%
Other reason	54%	52%	52%
Don't know	2%	3%	2%

## 11. Overseas Business Risks

### 11.1 Impact of Perceived Risks on Overseas Activity

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

Chart 11.1.1 Proportion Deterred from Entering an Overseas Market Due to Risk



Base: All respondents (Base, Don't know) Total (950, 0%)

Overall, around two-thirds (63%) of internationalising firms have been put off from entering a market due to one of the above risks.

All of the individual risks tested have a significant impact on the behaviour of internationalising firms, with at least 22% reporting that that they have decided against entering an overseas market because of each one. However, the risk of not being paid (in full or on time) is the most significant deterrent to overseas expansion.

As seen below, UKTI users are significantly more likely than non-users to have decided against entering overseas markets because of the risks involved (74% vs. 59%). However, this should not be interpreted as meaning that UKTI users are more risk averse. Instead, it may be a reflection of the fact that UKTI users tend to be more 'involved' exporters (i.e. have been exporting longer, operate in more markets) and hence have had more opportunity to encounter these risks. It is also the case that users are significantly more likely to be active in fast growing or emerging markets, where the likelihood of encountering some of these risks may be higher.

Table 11.1.1 Proportion Deterred from Entering an Overseas Market Due to Risk  
- By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base</i>	950	303	647
Not being paid in full or on time	43%	49%	40%
Safety or security of staff	22%	30%	19%
Political or economic instability	32%	40%	28%
IP Theft	23%	31%	20%
Bribery, corruption or organised crime	28%	33%	26%
Not seeing return on investment	31%	37%	28%
None of these	36%	26%	41%
Don't know	0%	0%	1%
<i>Net: Put off by any risk</i>	63%	74%	59%

As seen below, younger firms (established within the last 5 years) are least likely to have been put off by any of these risks. There are no clear or consistent differences by size of firm.

Table 11.1.2 Proportion Deterred from Entering an Overseas Market Due to Risk  
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base</i>	203	198	549	28	559	587	227	68	63	882
Not being paid in full or on time	39%	41%	45%	29%	45%	44%	42%	37%	49%	43%
Safety or security of staff	17%	27%	22%	20%	22%	22%	24%	15%	46%	22%
Political or economic instability	28%	32%	32%	11%	32%	31%	33%	30%	46%	32%
IP Theft	25%	26%	22%	11%	25%	25%	23%	13%	31%	23%
Bribery, corruption or organised crime	26%	34%	26%	25%	29%	29%	27%	22%	48%	28%
Not seeing return on investment	28%	33%	31%	23%	33%	32%	30%	26%	46%	31%
None of these	44%	33%	35%	49%	36%	37%	33%	41%	22%	36%
Don't know	0%	0%	1%	0%	0%	0%	1%	0%	2%	0%
<i>Net: Put off by any risk</i>	56%	67%	64%	51%	64%	63%	65%	59%	76%	63%

There is some evidence that the more markets a firm is active in, the more likely they are to have been deterred from entering other markets by the potential risks. However, the proportion put off by the risk of not seeing a return on the investment required is similar, irrespective of the number of markets firms are doing business in. There are no significant differences in the impact of perceived risks by the regions in which firms are operating.

Table 11.1.3 Impact of Perceived Risk on Overseas Activity  
– By Number of Markets & Regions Doing Business In

	Number of Markets				Regions				
	0	1-5	6-10	>10	Europe	North America	Latin America	M.East / Africa	Asia Pacific
<i>Base</i>	95	374	176	295	781	438	226	460	449
Not being paid in full or on time	40%	39%	47%	48%	44%	42%	41%	46%	45%
Safety or security of staff	25%	18%	25%	25%	22%	20%	22%	26%	23%
Political or economic instability	37%	25%	35%	37%	31%	32%	37%	34%	34%
IP Theft	36%	18%	25%	27%	23%	25%	25%	25%	29%
Bribery, corruption or organised crime	39%	23%	28%	32%	27%	28%	33%	31%	28%
Not seeing return on investment	33%	31%	30%	31%	31%	30%	26%	32%	31%
None of these	42%	44%	32%	25%	35%	33%	30%	30%	30%
Don't know	0%	1%	1%	0%	1%	1%	1%	1%	1%
<i>Net: Put off by any risk</i>	<i>58%</i>	<i>56%</i>	<i>68%</i>	<i>75%</i>	<i>65%</i>	<i>66%</i>	<i>69%</i>	<i>69%</i>	<i>69%</i>

There is some suggestion that firms who have already grown substantially or plan to in the future are more likely to have been put off from doing business in overseas markets due to these risks, but it should be noted that these differences are not statistically significant.

Table 11.1.4 Impact of Perceived Risk on Overseas Activity – By Growth

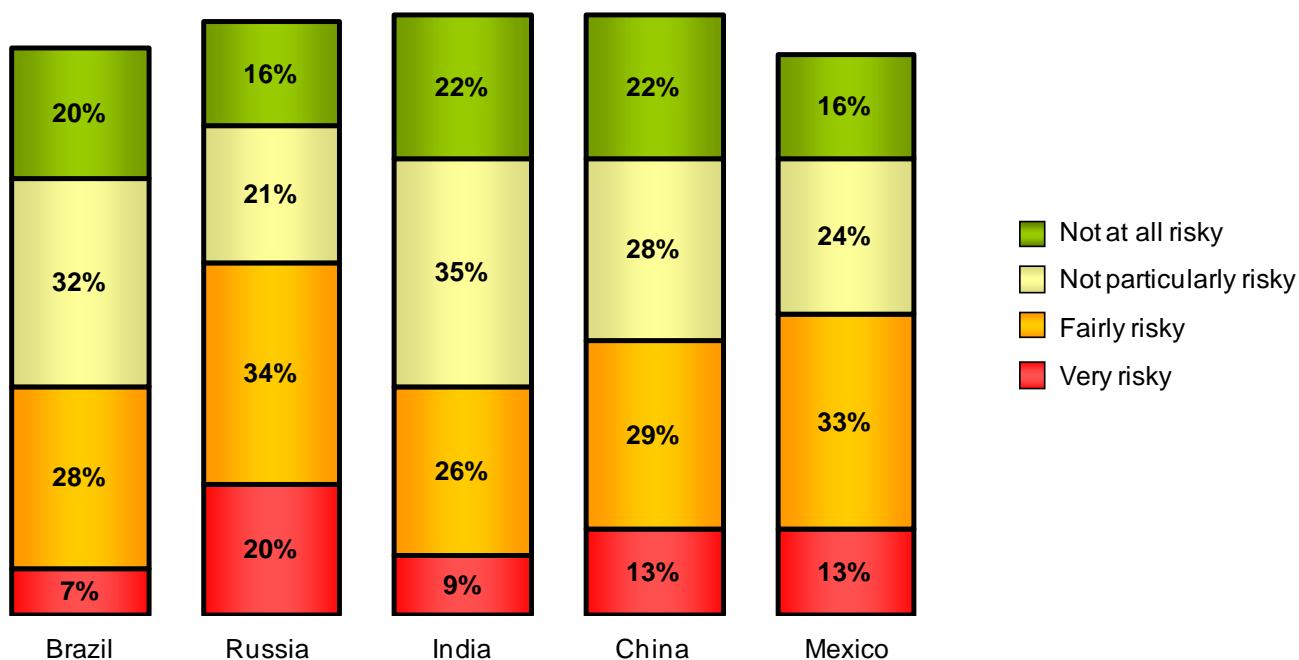
	Past Growth			Growth Objectives		
	Stayed same	Moderate growth	Substantial growth	Stayed same	Moderate growth	Substantial growth
<i>Base</i>	192	388	172	116	486	273
Not being paid in full or on time	46%	42%	40%	45%	45%	43%
Safety or security of staff	22%	25%	19%	18%	23%	24%
Political or economic instability	35%	30%	33%	26%	33%	35%
IP Theft	20%	22%	27%	18%	23%	29%
Bribery, corruption or organised crime	30%	27%	31%	21%	30%	32%
Not seeing return on investment	30%	29%	38%	24%	32%	36%
None of these	37%	37%	30%	38%	36%	31%
Don't know	0%	1%	0%	0%	0%	1%
<i>Net: Put off by any risk</i>	<i>63%</i>	<i>62%</i>	<i>70%</i>	<i>62%</i>	<i>64%</i>	<i>68%</i>

## 11.2 Risk Perception of Key Markets

### 11.2.1 Overview

Firms were asked to assess how risky they felt it would be to do business in each of the BRIC markets plus Mexico, and these results are summarised below. Please note that these questions were asked to all firms, irrespective of whether or not they were already doing business in these countries.

Chart 11.2.1 Risk Perception of BRIC Markets – Summary



Base: All respondents (Base, Don't know) (950, 13%, 8%, 7%, 8%, 13%)

As demonstrated above, Russia is considered to be the most risky of these markets, with 54% of internationalising firms judging it to be 'very' or 'fairly' risky. India and Brazil are considered to be the least risky markets, with just 36% perceiving these markets to be 'very' or 'fairly' risky.

## 11.2.2 Brazil

As seen below, there is some suggestion that UKTI users view Brazil as being slightly less risky than non-users, although this difference is not statistically significant.

There is a notable difference in perceptions between firms that are currently doing business in Brazil and those that are not, with the former much less likely to view Brazil as a risky proposition. This implies that firms are being put off by their *perception* of Brazil, when the reality of doing business there may not involve as many risks as they fear. However, we currently have no evidence to confirm whether this is the correct interpretation, and it may simply be that the circumstances of firms operating in Brazil differ from those that are not, leading to different perceptions of, and exposure to, risks.

Table 11.2.2.1 Perceived Risk of Brazil  
- By UKTI Usage & Whether Doing Business There

	Total	UKTI Usage		Doing Business in Brazil	
		UKTI User	Non-User	Yes	No
<i>Base</i>	950	303	647	111	824
Very risky	7%	5%	8%	2%	8%
Fairly risky	28%	26%	29%	9%	31%
Not particularly risky	32%	38%	30%	49%	30%
Not at all risky	20%	20%	20%	38%	18%
Don't know	13%	11%	13%	2%	13%

Unsurprisingly, the lower the perceived risk of Brazil, the more likely the firm is to do business there. Just 5% of firms that judge Brazil to be 'very risky' are either already operating there or very likely to do so. However, it should be noted that risk is clearly not the only reason that firms are not doing business in Brazil, with 53% of those that feel it is 'not at all risky' still not intending to enter the market. As seen in Section 10.2, a third of firms indicated that they would not consider doing business in Brazil simply because of a (perceived) lack of demand for their products/services there.

Table 11.2.2.2 Likelihood of Doing Business in Brazil  
- By Perceived Risk

	Perceived Risk of Brazil			
	Very risky	Fairly risky	Not particularly risky	Not at all risky
<i>Base</i>	68	266	310	189
Already in	3%	3%	16%	20%
Very likely	2%	8%	10%	11%
Quite likely	5%	12%	23%	14%
Unlikely	90%	76%	50%	53%
Don't know	0%	0%	1%	1%

### 11.2.3 Russia

As noted previously, Russia is seen as the highest risk of the BRIC markets. Whilst there is little difference between users and non-users of UKTI in this respect, it is clear that firms that are not doing business in Russia are more negative about the associated risks. It may be that firms are being deterred by a perception that Russia is a high risk market when the reality is more positive. However, there is no evidence to confirm whether this is the correct interpretation, and it may simply be that the circumstances of firms operating in this market differ from those that are not, leading to different perceptions of, and exposure to, risks.

It is also worth noting that many firms that *are* currently operating in Russia are still conscious of the risks involved, with 38% of this group describing it as very or fairly risky.

Table 11.2.3.1 Perceived Risk of Russia  
- By UKTI Usage & Whether Doing Business There

	Total	UKTI Usage		Doing Business in Russia	
		UKTI User	Non-User	Yes	No
<i>Base</i>	900	189	711	113	778
Very risky	20%	18%	20%	10%	22%
Fairly risky	34%	37%	33%	28%	36%
Not particularly risky	21%	24%	20%	36%	18%
Not at all risky	16%	17%	16%	25%	15%
Don't know	8%	4%	10%	1%	10%

As expected, firms that do not perceive Russia to be a risky market are more inclined to do business there.

Table 11.2.3.2 Likelihood of Doing Business in Russia  
- By Perceived Risk

	Perceived Risk of Russia			
	Very risky	Fairly risky	Not particularly risky	Not at all risky
<i>Base</i>	184	331	206	150
Already in	9%	14%	28%	26%
Very likely	4%	6%	11%	10%
Quite likely	11%	18%	20%	13%
Unlikely	76%	62%	39%	50%
Don't know	0%	1%	2%	1%

## 11.2.4 India

As with the other BRIC markets, firms currently doing business in India tend to view it as less risky than those not operating there, suggesting that some firms may be put off by a perception of the business environment in India that does not entirely reflect the reality. However, there is no evidence to confirm whether this is the correct interpretation, and it may just be that the circumstances of firms operating in this market differ from those that are not, leading to different perceptions of the risks involved.

There is no difference in the risk perception of India between UKTI users and non-users.

Table 11.2.4.1 Perceived Risk of India  
- By UKTI Usage & Whether Doing Business There

	Total	UKTI Usage		Doing Business in India	
		UKTI User	Non-User	Yes	No
<i>Base</i>	950	303	647	180	764
Very risky	9%	9%	9%	4%	10%
Fairly risky	26%	28%	26%	17%	29%
Not particularly risky	35%	34%	36%	38%	35%
Not at all risky	22%	24%	21%	39%	19%
Don't know	7%	5%	7%	2%	7%

As seen below, the greater the perceived risk of doing business in India, the less likely firms are to export there.

Table 11.2.4.2 Likelihood of Doing Business in India  
- By Perceived Risk

	Perceived Risk of India			
	Very risky	Fairly risky	Not particularly risky	Not at all risky
<i>Base</i>	84	248	342	213
Already in	8%	11%	19%	30%
Very likely	3%	7%	10%	12%
Quite likely	15%	20%	21%	17%
Unlikely	75%	62%	49%	40%
Don't know	0%	0%	1%	1%

## 11.2.5 China

Firms that are not doing business in China are more negative about the associated risks, although it should be noted that 28% of firms that are active in China still perceive it as very or fairly risky (but presumably with sufficient rewards to outweigh these risks). It may be that firms not currently selling to China are being put off by a perception that it is a high risk market when the reality is more positive. However, there is no evidence to confirm whether this is the correct interpretation, and it may simply be that the circumstances of firms operating in China differ from those that are not, leading to different perceptions of, and exposure to, risks.

There is no difference in the risk perception of China between UKTI users and non-users.

Table 11.2.5.1 Perceived Risk of China  
- By UKTI Usage & Whether Doing Business There

	Total	UKTI Usage		Doing Business in China	
		UKTI User	Non-User	Yes	No
<i>Base</i>	950	303	647	178	763
Very risky	13%	13%	13%	7%	14%
Fairly risky	29%	29%	28%	21%	30%
Not particularly risky	28%	28%	28%	25%	29%
Not at all risky	22%	22%	23%	45%	18%
Don't know	8%	8%	8%	2%	10%

As was the case with the other BRIC markets, firms that perceive China as a lower risk are more likely to do business there.

Table 11.2.5.2 Likelihood of Doing Business in China  
- By Perceived Risk

	Perceived Risk of China			
	Very risky	Fairly risky	Not particularly risky	Not at all risky
<i>Base</i>	122	268	267	215
Already in	9%	13%	15%	34%
Very likely	4%	7%	7%	11%
Quite likely	7%	18%	23%	10%
Unlikely	78%	61%	55%	44%
Don't know	1%	1%	0%	1%

## 11.2.6 Mexico

Non-users of UKTI tend to see Mexico as a more risky prospect than users. As with the other markets, firms that are not doing business in Mexico have a much more negative perception of the risks involved. It could be that these firms are being put off by a negative perception of the risks involved, when in fact the reality of doing business there may not involve as many risks as they fear. However, there is no evidence to confirm whether this is the correct interpretation, and it may simply be that the circumstances of firms operating in Mexico differ from those that are not.

Table 11.2.6.1 Perceived Risk of Mexico  
- By UKTI Usage & Whether Doing Business There

	Total	UKTI Usage		Doing Business in Mexico	
		UKTI User	Non-User	Yes	No
<i>Base</i>	950	303	647	78	855
Very risky	13%	12%	13%	3%	14%
Fairly risky	33%	29%	35%	18%	35%
Not particularly risky	24%	31%	21%	42%	23%
Not at all risky	16%	17%	16%	32%	15%
Don't know	13%	11%	14%	5%	13%

As seen below, the greater the perceived risk of doing business in Mexico, the less likely firms are to export there. However, risk is not the only reason that firms are not doing business in Mexico, as almost two-thirds of those that feel it is 'not at all risky' still not intending to enter the market. As detailed previously (Section 10.2), almost half of firms indicating they would not do business in Mexico reported that this was down to a perceived lack of demand for their products/services there.

Table 11.2.6.2 Likelihood of Doing Business in Mexico  
- By Perceived Risk

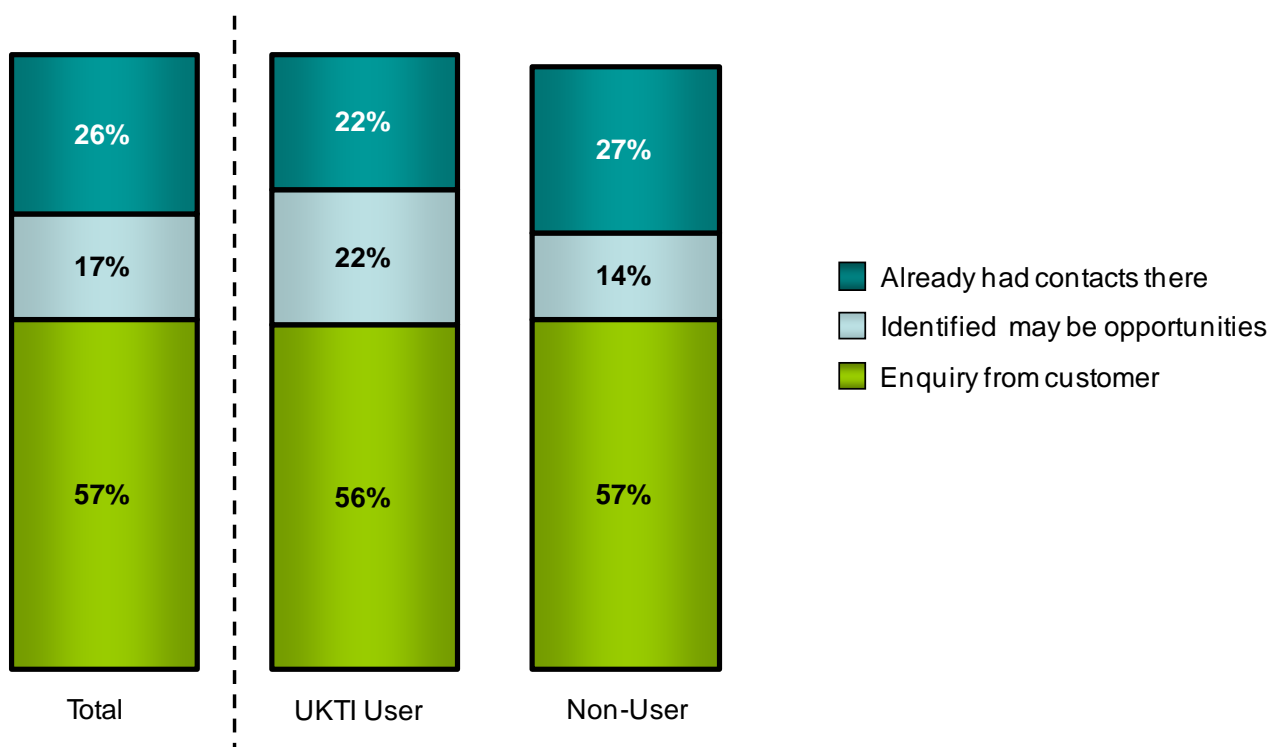
	Perceived Risk of Mexico			
	Very risky	Fairly risky	Not particularly risky	Not at all risky
<i>Base</i>	121	314	235	154
Already in	2%	4%	13%	15%
Very likely	1%	3%	3%	8%
Quite likely	4%	9%	18%	11%
Unlikely	92%	82%	65%	64%
Don't know	1%	1%	1%	2%

## 12. New Market Entry

### 12.1 Market Entry Motivations

Firms were asked whether, when they entered their most recent overseas market, this was mainly prompted by an enquiry from a potential customer, the identification that there may be opportunities for their business there or because they already had contacts there. Please note that although a firm's decision to enter a market could be influenced by a combination of these factors, they were asked to pick the single main reason for *first investigating* that market.

Chart 12.1.1 Market Entry Motivations (Most Recent Market) - By UKTI Usage



Base: All currently exporting (Base, Don't know)  
Total (855, 1%), UKTI Users (286, 0%), Non-Users (569, 2%)

As demonstrated above, most firms were fairly opportunistic when deciding to target their most recent market, with 57% reacting to enquiries from potential customers and 26% prompted by the fact they already had contacts there. Only 17% indicated that the primary reason for considering this market was that they had identified internally that there may be opportunities there.

While this broad pattern is true of both users and non-users, the former are significantly more likely to have decided to enter the market as a result of identifying opportunities there.

The table below illustrates that even amongst older firms market entry decisions are largely driven by customer enquiries. However, larger firms tend to be a little less reactive and are more likely to have identified internally that the market represented an opportunity for their business.

Table 12.1.1 Market Entry Motivations (Most Recent Market)  
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All exporting</i>	146	186	523	19	488	507	215	66	63	788
Enquiry from customer	49%	55%	59%	64%	58%	58%	56%	50%	42%	57%
Identified possible opportunity	18%	20%	15%	15%	15%	15%	17%	26%	34%	17%
Already had contacts there	32%	24%	25%	21%	26%	26%	25%	22%	15%	26%
Don't know	1%	1%	1%	0%	1%	1%	1%	2%	9%	1%

There are no statistically significant differences in market entry motivations by the number of years firms have been doing business overseas or the proportion of their turnover accounted for by overseas sales.

Table 12.1.2 Market Entry Motivations (Most Recent Market)  
- By Overseas Experience

	Years Exporting			Exports as % of Turnover				
	<2	2-10	>10	0%	1-10%	11-25%	26-50%	>50%
<i>Base: All exporting</i>	119	368	351	29	345	109	107	201
Enquiry from customer	53%	58%	57%	44%	61%	57%	55%	53%
Identified possible opportunity	15%	17%	16%	10%	15%	18%	17%	19%
Already had contacts there	32%	24%	26%	42%	23%	24%	29%	28%
Don't know	0%	1%	1%	4%	1%	1%	0%	1%

Firms with a small international presence (active in 1-5 markets) are significantly more likely to enter a market as a result of already having contacts there, and less likely to do so as a result of identifying that it offered opportunities for them

Table 12.1.3 Market Entry Motivations (Most Recent Market)  
- By Number of Markets & Regions Doing Business In

	Number of Markets		
	1-5	6-10	>10
<i>Base: All exporting</i>	374	176	295
Enquiry from customer	57%	53%	60%
Identified possible opportunity	13%	22%	18%
Already had contacts there	30%	23%	21%
Don't know	1%	2%	1%

There are few differences in the motivations for entering high growth, EEA or other markets, although firms targeting high growth markets are least likely to indicate that this was because they had existing contacts there.

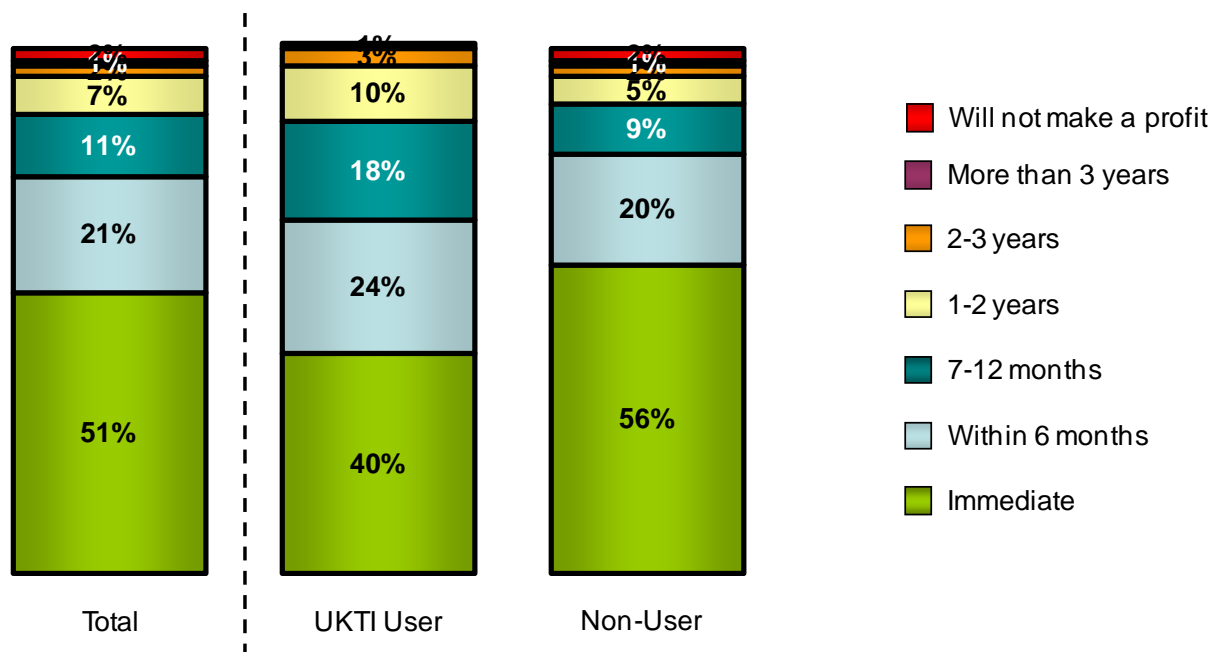
Table 12.1.4 Market Entry Motivations (Most Recent Market)  
- By Market Type & Region

	Market Type			Market Area				
	High growth	EEA	Other	Europe	North America	Latin America	M.East & Africa	Asia Pacific
<i>Base: All exporting</i>	241	344	270	413	82	45	138	173
Enquiry from customer	60%	58%	52%	58%	45%	72%	55%	59%
Identified possible opportunity	18%	15%	18%	15%	20%	16%	17%	20%
Already had contacts there	20%	26%	29%	27%	35%	12%	25%	21%
Don't know	2%	1%	1%	1%	0%	0%	3%	0%

## 12.2 Time Taken to Make Profit

Firms were asked how long it had taken (or was expected to take) to make a profit in the overseas market that they had entered most recently, taking account of any investment they had needed to make or costs they had incurred.

Chart 12.2.1 Profit Period (Most Recent Market) - By UKTI Usage



Base: All currently exporting (Base, Don't know)  
 Total (855, 5%), UKTI Users (286, 4%), Non-Users (569, 5%)

As detailed above, half of all internationalising firms indicated that they made a profit immediately when entering their most recent market. It is likely that in most cases this refers to firms that 'enter' a market simply by selling a good or service to a customer based there, rather than adopt a more strategic, investment-heavy approach to establishing a presence there.

The table below suggests that older firms are more likely to report an immediate profit upon entering a new market. It also appears that the larger the firm is, the longer it takes to see a profit, perhaps reflecting the greater investment that larger firms make when entering new markets.

Table 12.2.1 Profit Period (Most Recent Market)  
- By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All exporting</i>	146	186	523	19	488	507	215	66	63	788
Immediate	42%	49%	54%	62%	54%	54%	48%	33%	24%	51%
Within 6 months	28%	18%	21%	17%	21%	21%	22%	22%	10%	21%
7-12 months	15%	13%	10%	15%	10%	10%	15%	12%	22%	12%
1-2 years	6%	9%	6%	0%	6%	6%	5%	19%	9%	7%
2-3 years	0%	3%	2%	0%	2%	2%	2%	5%	7%	2%
More than 3 years	1%	0%	2%	0%	1%	1%	0%	5%	2%	1%
Will not make profit	3%	3%	1%	6%	2%	2%	1%	2%	0%	2%
Don't know	6%	5%	4%	0%	4%	4%	7%	3%	25%	5%

In line with the findings by age of firm, there is evidence that firms with at least 2 years overseas experience are more likely to make a profit immediately on entering a new market. Firms where overseas sales account for over 25% of their turnover typically take longer to see a return from a new market than less intensive exporters.

Table 12.2.2 Profit Period (Most Recent Market)  
- By Overseas Experience

	Years Exporting			Exports as % of Turnover				
	<2	2-10	>10	0%	1-10%	11-25%	26-50%	>50%
<i>Base: All exporting</i>	119	368	351	29	345	109	107	201
Immediate	38%	54%	53%	44%	61%	55%	39%	45%
Within 6 months	29%	18%	22%	41%	15%	22%	28%	23%
7-12 months	17%	11%	11%	6%	10%	10%	16%	16%
1-2 years	7%	8%	6%	0%	6%	9%	11%	7%
2-3 years	1%	3%	2%	0%	2%	1%	3%	3%
More than 3 years	2%	1%	1%	0%	1%	1%	1%	2%
Will not make profit	2%	2%	1%	5%	3%	0%	0%	1%
Don't know	3%	4%	4%	4%	3%	2%	1%	3%

Although the base is low, it is clear that firms that solely make overseas sales through their website make a profit from new market entry much faster than other firms, with 89% doing so within 6 months (and most indicating that it is immediate).

Table 12.2.3 Profit Period (Most Recent Market)  
- By Web Only Exporters

	Web Only Exporter	
	Yes	No
<i>Base: All exporting</i>	36	819
Immediate	68%	40%
Within 6 months	21%	21%
7-12 months	3%	12%
1-2 years	0%	7%
2-3 years	0%	2%
More than 3 years	0%	1%
Will not make profit	2%	2%
Don't know	5%	5%

The table below provides analysis by the mode(s) firms use when doing business overseas. Firms can be included in multiple modes, and it should be noted that they will not necessarily have used all of these modes in their most recent market (which the profit period data relates to). However, in most cases it will be the same mode so should still give an indication of the comparative speed with which firms make profit through each mode.

Table 12.2.4 Profit Period (Most Recent Market) - By Modes Used

	Selling direct	Agents/ distributors	Contractual arrangements	Overseas site
<i>Base: All exporting</i>	786	367	111	117
Immediate	51%	42%	35%	33%
Within 6 months	21%	25%	25%	22%
7-12 months	11%	15%	17%	25%
1-2 years	7%	8%	8%	3%
2-3 years	2%	2%	5%	1%
More than 3 years	1%	1%	2%	3%
Will not make profit	1%	2%	2%	1%
Don't know	5%	5%	5%	11%

Unsurprisingly, selling direct to overseas customers appears to be the quickest route to making a profit in an overseas market, and more complex and investment heavy approaches such as licensing/franchising or setting up a site tend to require a longer period before becoming profitable. It should be noted that this analysis does not take account of the scale of any profits made and simply reports the time required to see any profit – and it may well be that those modes that take longer to turn a profit may deliver greater returns once this point has been reached.

## 13. Barriers to Overseas Trade

### 13.1 Barriers (Summary)

As mentioned previously, for the sections of the interview relating to drivers of market and barriers, firms were asked to focus on just one market, as follows:

- Firms were asked to select the '**most challenging**' country that they had done business in over the last 5 years
- If they were unable to pick one, they were asked to select the country they had started doing business in '**most recently**'

For full details of the markets selected by users and non-users of UKTI, please refer to Annex A.

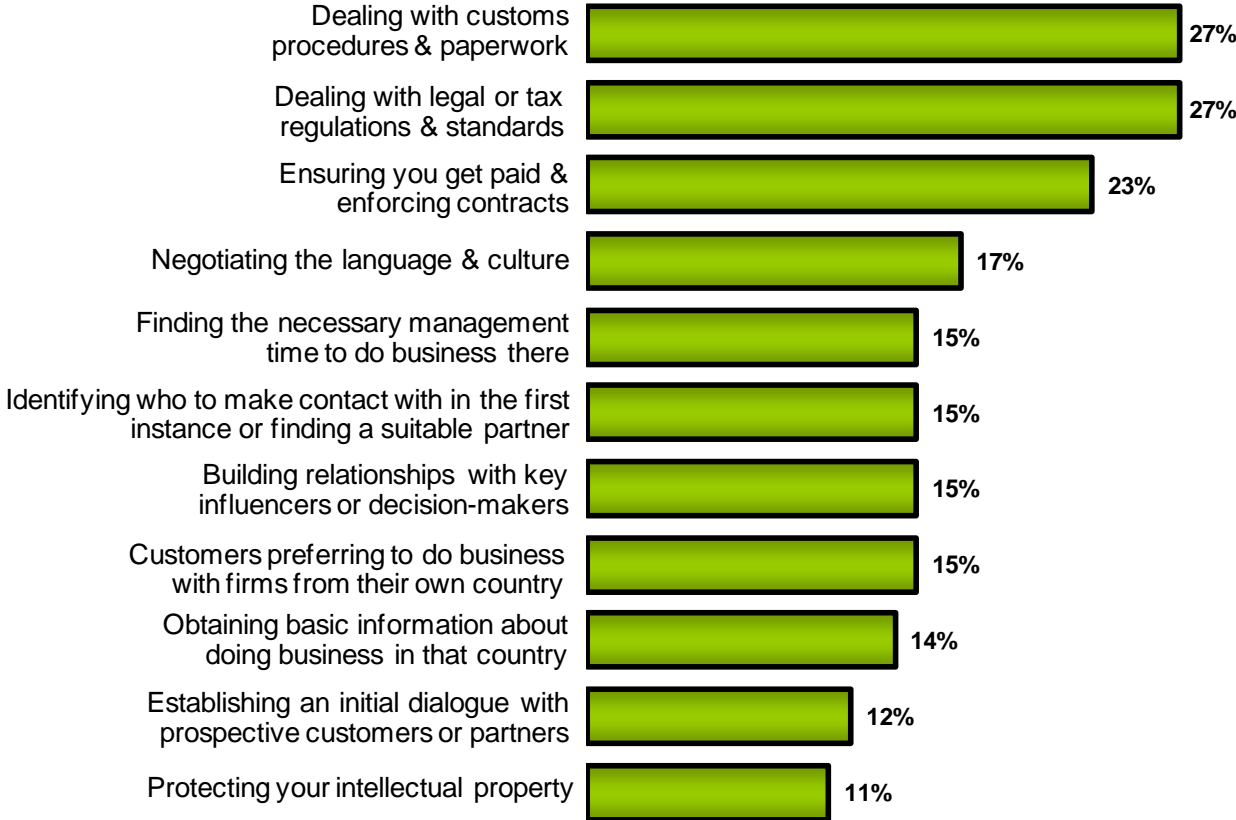
Firms were then read out 11 potential barriers that they might have faced when trying to develop their business in the selected market, and asked to indicate the extent to which each one had been a difficulty (using a 5 point scale, where 5 meant it had been 'extremely difficult' and 1 meant it had 'not been at all difficult'). The barriers tested were as follows:

- Dealing with legal or tax regulations or standards in <MARKET>
- Protecting your intellectual property
- Ensuring you get paid and enforcing contracts
- Dealing with customs procedures or paperwork
- Identifying who to make contact with in the first instance or finding a suitable partner
- Establishing an initial dialogue with prospective customers or business partners in <MARKET>
- Building relationships with key influencers or decision-makers
- Obtaining basic information about doing business in <MARKET>
- Finding the necessary management time to devote to doing business in <MARKET>
- Negotiating the culture and language
- Customers in <MARKET> preferring to do business with firms from <MARKET> (rather than with UK firms)

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

The chart below shows the proportion of firms experiencing each barrier to a significant extent (i.e. scoring 4 or 5 out of 5 for the extent to which it was a difficulty). Details of the full distribution of scores for each individual barrier are shown in Chapter 13.2.

Chart 13.1.1 Individual Barriers



Base: All exporters (Base) (855)

The most widely experienced barriers all relate to the formalities and bureaucracy of doing business overseas, with 27% of firms reporting significant problems with customs procedures, 27% dealing with legal or tax regulations and 23% ensuring they get paid.

As seen earlier (in Chapter 11.1), 43% of firms had been deterred from entering a new market due to the risk of not being paid, and it is clear from the above analysis that this fear is not without substance.

The table below shows further analysis of the barriers encountered by users and non-users of UKTI.

Table 13.1.1 Individual Barriers – By UKTI Usage

Proportion experiencing significant difficulty (4-5 out of 5) with...	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base: All exporters</i>	855	286	569
Dealing with customs procedures & paperwork	27%	31%	24%
Dealing with legal or tax regulations & standards	27%	30%	26%
Ensuring you get paid and enforcing contracts	23%	25%	22%
Negotiating the language & culture	17%	21%	15%
Finding the necessary management time to devote to doing business in there	15%	20%	12%
Identifying who to make contact with in the first instance or finding a suitable partner	15%	19%	13%
Building relationships with key influencers or decision-makers	15%	20%	13%
Customer preference for doing business with firms from their own country	15%	15%	15%
Obtaining basic information about doing business in that country	14%	13%	14%
Establishing an initial dialogue with prospective customers or partners	12%	13%	11%
Protecting your intellectual property	11%	13%	10%

It appears that UKTI users are more likely to experience most of these barriers than non-users. These differences are statistically significant for customs procedures, negotiation language and culture, finding the necessary management time, identifying the first contact and building relationships.

This marked difference between users and non-users suggests that the experience of encountering these difficulties prompts firms to contact UKTI. However, at this stage it should be remembered that respondents were asked to talk about the ‘most challenging’ market that they had done business in, and this is likely to be contributing towards the difference in the barriers experienced by users and non-users. UKTI users tend to have been doing business overseas longer, be operating in more markets and are more likely to be doing business in high growth markets. As such, they would appear to have a higher chance of having encountered a particularly ‘challenging’ market which involves significant barriers.

The 11 individual barriers firms were prompted with have been summarised further as outlined below.

### Barriers - Summary

Firms have been defined as perceiving significant '**legal & regulatory**' barriers if they scored 4 or 5 on a 5-point scale for...

- Dealing with legal or tax regulations or standards in <MARKET>
- Or, Protecting your intellectual property
- Or, Ensuring you get paid and enforcing contracts

Firms have been defined as perceiving significant '**customs**' barriers if they scored 4 or 5 on a 5-point scale for...

- Dealing with customs procedures or paperwork

Firms have been defined as perceiving significant '**contacts**' barriers if they scored 4 or 5 on a 5-point scale for...

- Identifying who to make contact with in the first instance or finding a suitable partner
- Or, Establishing an initial dialogue with prospective customers or business partners in <MARKET>
- Or, Building relationships with key influencers or decision-makers

Firms have been defined as perceiving significant '**information**' barriers if they scored 4 or 5 on a 5-point scale for...

- Obtaining basic information about doing business in <market>

Firms have been defined as perceiving significant '**resource**' barriers if they scored 4 or 5 on a 5-point scale for...

- Finding the necessary management time to devote to doing business in <MARKET>

Firms have been defined as perceiving significant '**language & cultural**' barriers if they scored 4 or 5 on a 5-point scale for...

- Negotiating the language & culture

Firms have been defined as perceiving significant '**bias**' barriers if they scored 4 or 5 on a 5-point scale for...

- Customers in <MARKET> preferring to do business with firms from <MARKET> (rather than UK firms)

The table below shows the proportions of firms scoring against each of these summary categories as well as an analysis of the number of individual barriers experienced to a significant extent.

Table 13.1.2 Summary Barriers – By UKTI Usage

	Total	UKTI Usage	
		UKTI User	Non-User
<i>Base: All exporters</i>	855	286	569
<b>Types of Barriers</b>			
Legal & regulatory barriers	43%	48%	40%
Customs barriers	27%	31%	24%
Contacts barriers	25%	33%	22%
Information barriers	14%	13%	14%
Resource barriers	15%	20%	12%
Language & cultural barriers	17%	21%	15%
Bias barriers	15%	15%	15%
<b>Number of Barriers</b>			
At least one significant individual barrier	64%	73%	59%
- One	17%	16%	18%
- Two	13%	17%	12%
- Three	12%	15%	11%
- Four or more	20%	24%	18%
No significant barriers	37%	27%	41%

As has been the case in past UKTI studies, internationalising firms are most likely to be affected by legal and regulatory barriers, customs barriers and contacts barriers.

Overall, two-thirds (64%) of firms have experienced at least one significant barrier in their selected market (which, it should be remembered, is the ‘most challenging market’ they have done business in). In addition a fifth (20%) have encountered significant difficulties with four or more of the individual barriers, suggesting there is a clear need for some form of external assistance to help firms overcome these barriers and successfully trade in overseas markets.

UKTI users clearly come across more significant barriers than non-users, with 73% experiencing at least one, compared to only 59% of non-users. Users are more likely to encounter most of the barrier types (the exceptions being information barriers and bias barriers, which are equally prevalent among non-users)

The table below provides further analysis of the barriers experienced by whether firms were prompted to enter the market as a result of a customer enquiry and whether they already employed someone with experience/contacts in the market when they started doing business there.

Table 13.1.3 Summary Barriers – By Market Entry Context

	Market Entry Context		
	Received approach or enquiry from potential customer or partner in <MARKET>	Already employed someone with experience of <MARKET> or contact there	Neither
<i>Base: All exporters</i>	692	320	92
<b>Types of Barriers</b>			
Legal & regulatory barriers	45%	46%	28%
Customs barriers	29%	26%	13%
Contacts barriers	24%	25%	27%
Information barriers	14%	10%	13%
Resource barriers	14%	14%	13%
Language & cultural barriers	17%	14%	19%
Bias barriers	15%	16%	11%
<b>Number of Barriers</b>			
At least one significant individual barrier	65%	66%	48%
- One	18%	20%	13%
- Two	14%	12%	10%
- Three	13%	14%	7%
- Four or more	20%	20%	18%
No significant barriers	35%	34%	52%

Interestingly firms who entered markets in response to an approach from a potential customer/partner or because they already had staff with experience and/or contacts there were actually more likely to encounter significant barriers than those who did not. This demonstrates that even in cases where the contacts have already been made, firms can still run into problems (e.g. with legal/regulatory issues or customs procedures).

Please note that it is not possible to provide meaningful analysis by market entry mode, as data was only collected on all modes used by the firm when doing business overseas and not the specific mode employed in this particular market. However, the 2012 survey did identify the market-specific mode and analysis by this variable revealed that firms operating overseas sites were most likely to have encountered all of the barrier types and also tended to experience a greater number of barriers. Doing business overseas through contractual arrangements was also associated with a greater incidence of barriers.

While it might be expected that larger firms are less likely to experience barriers due to their greater resources (and typically greater overseas experience), in fact the opposite is true and it is firms with less than 50 employees that are least likely to report barriers. It is particularly notable that large firms are considerably more likely to encounter legal and regulatory issues and customs barriers.

There are no major differences by age of firm in terms of the likelihood of encountering barriers or the types of barrier experienced.

Table 13.1.4 Summary Barriers – By Age & Size

	Age (Years Trading)			Size (Number of Employees)						
	Up to 5	6-10	Over 10	0-9			10-49	50-249	250+	All SMEs
				0	1-9	Total				
<i>Base: All exporters</i>	146	186	523	19	488	507	215	66	63	788
<b>Types of Barriers</b>										
Legal & regulatory	44%	42%	43%	23%	43%	42%	43%	45%	70%	43%
Customs	28%	28%	26%	23%	26%	26%	29%	25%	45%	27%
Contacts	26%	26%	25%	17%	23%	23%	28%	37%	33%	25%
Information	17%	13%	14%	11%	15%	15%	12%	12%	12%	14%
Resource	13%	17%	14%	11%	15%	15%	14%	14%	21%	15%
Language & cultural	13%	21%	16%	10%	16%	15%	20%	17%	24%	17%
Bias	19%	10%	17%	13%	12%	12%	21%	16%	12%	15%
<b>Number of Barriers</b>										
At least one barrier	65%	61%	64%	64%	63%	63%	63%	67%	79%	64%
- One	17%	16%	18%	26%	18%	19%	15%	17%	15%	17%
- Two	17%	10%	14%	26%	12%	13%	14%	18%	18%	14%
- Three	9%	12%	13%	11%	12%	12%	13%	12%	13%	12%
- Four or more	22%	23%	19%	0%	20%	19%	22%	21%	33%	20%
No significant barriers	35%	39%	36%	36%	37%	37%	37%	33%	21%	36%

There is no evidence that barriers decline as firms become more experienced overseas and in fact the converse is true, as the more markets a firm does business in, the more likely they are to encounter barriers. However, it should be remembered that this data relates to firms' most challenging market, and experienced exporters are more likely to have encountered more difficult markets.

Table 13.1.5 Summary Barriers – By Overseas Experience

	Years Exporting			Number of Markets		
	Less than 2 years	2-10 years	Over 10 years	1-5	6-10	More than 10
<i>Base: All exporters</i>	119	368	351	374	176	295
<b>Types of Barriers</b>						
Legal & regulatory	39%	42%	46%	36%	40%	55%
Customs	25%	25%	29%	20%	29%	34%
Contacts	30%	23%	27%	21%	29%	29%
Information	17%	14%	13%	11%	16%	16%
Resource	13%	15%	15%	12%	18%	17%
Language & cultural	13%	19%	16%	12%	19%	23%
Bias	17%	15%	16%	14%	15%	18%
<b>Number of Barriers</b>						
At least one barrier	62%	61%	67%	54%	64%	76%
- One	17%	17%	19%	17%	16%	18%
- Two	16%	11%	16%	13%	11%	16%
- Three	8%	13%	14%	9%	13%	17%
- Four or more	21%	21%	19%	15%	25%	25%
No significant barriers	38%	39%	33%	46%	36%	24%

Firms that are active in only one overseas region are significantly less likely to have experienced any barriers.

Table 13.1.6 Summary Barriers – By Number of Regions

	Number of Overseas Regions Active In				
	One	Two	Three	Four	Five
<i>Base: All exporters</i>	226	176	172	145	136
<b>Types of Barriers</b>					
Legal & regulatory	30%	41%	49%	55%	49%
Customs	18%	25%	31%	30%	35%
Contacts	21%	23%	28%	31%	27%
Information	12%	15%	15%	15%	13%
Resource	8%	14%	20%	18%	19%
Language & cultural	9%	16%	17%	25%	23%
Bias	13%	18%	16%	17%	14%
<b>Number of Barriers</b>					
At least one barrier	48%	65%	67%	74%	73%
- One	15%	19%	20%	17%	17%
- Two	12%	13%	11%	14%	20%
- Three	7%	14%	11%	19%	14%
- Four or more	15%	19%	25%	25%	21%
No significant barriers	52%	35%	33%	26%	27%

As seen below, IP active firms report more barriers to overseas trade, but there is no difference between innovative and non-innovative firms.

Table 13.1.7 Summary Barriers – By Innovation

	Innovative			IP Active	
	Yes (alternative)	Yes	No	Yes	No
02	422	638	217	233	641
<b>Types of Barriers</b>					
Legal & regulatory	46%	44%	40%	48%	41%
Customs	30%	27%	25%	28%	25%
Contacts	30%	26%	24%	31%	23%
Information	15%	14%	14%	13%	14%
Resource	16%	15%	14%	19%	13%
Language & cultural	20%	17%	15%	19%	16%
Bias	17%	15%	15%	17%	15%
<b>Number of Barriers</b>					
At least one barrier	68%	64%	61%	70%	61%
- One	18%	17%	17%	19%	17%
- Two	13%	14%	13%	16%	13%
- Three	14%	13%	11%	13%	12%
- Four or more	24%	20%	20%	22%	20%
No significant barriers	32%	36%	39%	30%	39%

The more ambitious a firm's growth objectives, the more likely they are to encounter significant barriers. This suggests that growing firms are most in need of external assistance to enable them to fulfil their aspirations.

Table 13.1.8 Summary Barriers – By Innovation & Growth

	Growth Objectives			Innovation & Growth		
				Innovative		Non innovative
	Stay same	Mod. growth	Sub. growth	Expect sub. growth	Other	
<i>Base: All exporters</i>	114	443	228	186	452	217
<b>Types of Barriers</b>						
Legal & regulatory	42%	42%	49%	52%	41%	40%
Customs	21%	27%	28%	29%	26%	25%
Contacts	17%	25%	34%	35%	22%	24%
Information	7%	13%	20%	18%	12%	14%
Resource	6%	15%	18%	17%	14%	14%
Language & cultural	13%	16%	24%	25%	14%	15%
Bias	13%	16%	17%	17%	15%	15%
<b>Number of Barriers</b>						
At least one barrier	53%	65%	70%	73%	61%	61%
- One	17%	19%	15%	16%	18%	17%
- Two	13%	13%	14%	15%	13%	13%
- Three	10%	14%	12%	13%	13%	11%
- Four or more	14%	19%	28%	28%	17%	20%
No significant barriers	47%	35%	30%	27%	39%	39%

There is some suggestion that firms classified as 'born global' under the tighter definition and young, technology intensive firms are more likely to experience barriers than other young firms, but these differences are not statistically significant.

Table 13.1.9 Summary Barriers – By Born Global & Young, Tech Intensive

	Up to 5 years old				Over 5 years old
	Total	Born global	Born global (alternative)	Young, tech intensive	
<i>Base: All exporters</i>	146	95	34	69	709
<b>Types of Barriers</b>					
Legal & regulatory	44%	44%	52%	49%	43%
Customs	28%	30%	36%	31%	26%
Contacts	26%	26%	24%	32%	25%
Information	17%	19%	18%	12%	13%
Resource	13%	18%	21%	10%	15%
Language & cultural	13%	18%	15%	13%	17%
Bias	19%	21%	27%	21%	15%
<b>Number of Barriers</b>					
At least one barrier	65%	67%	73%	72%	63%
- One	17%	16%	18%	21%	17%
- Two	17%	16%	15%	21%	13%
- Three	9%	8%	6%	6%	13%
- Four or more	22%	27%	33%	25%	20%
No significant barriers	35%	33%	27%	28%	37%

There is clear evidence that high growth and other markets are associated with greater barriers than those in the European Economic Area. However, it should be noted that half of the firms that were focussing on EEA markets had still experienced at least one significant barrier.

Table 13.1.10 Summary Barriers – By Market Type

	Market		
	High Growth	EEA	Other
<i>Base: All exporters</i>	313	262	280
<b>Types of Barriers</b>			
Legal & regulatory	50%	30%	48%
Customs	38%	12%	29%
Contacts	29%	20%	26%
Information	20%	9%	12%
Resource	18%	10%	16%
Language & cultural	25%	11%	13%
Bias	16%	15%	15%
<b>Number of Barriers</b>			
At least one barrier	73%	52%	65%
- One	16%	19%	18%
- Two	16%	10%	14%
- Three	14%	9%	14%
- Four or more	27%	13%	19%
No significant barriers	27%	49%	35%

The table below provides analysis of the barriers experienced by individual market. Please note that it has only been possible to provide this analysis for markets selected by at least 30 respondents.

Table 13.1.11 Summary Barriers – By Individual Market

	Individual Market (selected by 30+ respondents)								
	China	France	Germany	India	Ireland	Nigeria	Russia	UAE	USA
<i>Base: All exporters</i>	54	45	33	42	45	34	69	32	57
<b>Types of Barriers</b>									
Legal & regulatory	56%	26%	34%	54%	18%	72%	57%	50%	49%
Customs	29%	14%	7%	46%	6%	47%	55%	19%	27%
Contacts	39%	35%	21%	37%	15%	36%	26%	24%	36%
Information	22%	9%	8%	0%	9%	25%	39%	19%	13%
Resource	19%	12%	8%	27%	14%	29%	24%	7%	14%
Language & cultural	42%	22%	13%	21%	0%	18%	23%	24%	2%
Bias	21%	26%	26%	4%	11%	15%	19%	13%	25%
<b>Number of Barriers</b>									
At least one barrier	83%	61%	53%	72%	38%	87%	84%	63%	64%
- One	23%	19%	25%	17%	12%	22%	12%	10%	11%
- Two	11%	9%	4%	7%	10%	14%	25%	19%	17%
- Three	17%	9%	13%	16%	6%	7%	17%	10%	21%
- Four or more	33%	24%	12%	32%	10%	44%	30%	24%	15%
No sig. barriers	17%	39%	47%	28%	62%	13%	17%	37%	36%

Based on the above analysis, there are significant variations in the type and extent of barriers experienced in different markets. Nigeria, Russia and China appear to be the most challenging markets, with the vast majority of firms (87%, 84% and 83% respectively) reporting at least one significant barrier. However, even in an established, English-speaking market like the USA the majority of firms still report significant difficulties (64%).

Legal and regulatory issues are very significant issues in Nigeria, with 72% reporting a significant difficulty in these areas (compared to 43% across all markets). Customs procedures are a major problem for firms doing business in Russia, Nigeria and India, with around half of firms reporting issues in this area (compared to 27% overall).

It also appears that many firms are having difficulty finding basic information about the Russian market, with 39% experiencing this barrier (compared to 14% across all markets), suggesting a need for more accessible guidance in this area.

Perhaps unsurprisingly, China was the market most widely cited as involving language and cultural barriers (42%, compared to 17% across all markets).

As in previous years, bias barriers (i.e. where firms in an overseas market demonstrate a preference for doing business with other firms from their own market) are considerably higher than average in France, although they also emerge as an issue in Germany and the USA.

As seen below, other than in high growth markets UKTI users are more likely to report significant barriers than non-users. This suggests that the greater incidence of barriers amongst UKTI clients is not simply a reflection of the type of markets they do business in.

Table 13.1.12 Summary Barriers – By Market Type & UKTI Usage

	High Growth		EEA		Other	
	UKTI User	Non-User	UKTI User	Non-User	UKTI User	Non-User
<i>Base: All exporters</i>	143	170	47	215	96	184
<b>Types of Barriers</b>						
Legal & regulatory	50%	51%	26%	30%	59%	43%
Customs	34%	41%	14%	11%	37%	25%
Contacts	34%	24%	36%	17%	28%	26%
Information	18%	22%	6%	10%	9%	13%
Resource	22%	15%	14%	9%	19%	15%
Language & cultural	28%	24%	16%	10%	13%	13%
Bias	12%	19%	25%	13%	15%	15%
<b>Number of Barriers</b>						
At least one barrier	73%	73%	66%	48%	76%	60%
- One	14%	17%	25%	18%	15%	19%
- Two	17%	15%	10%	10%	21%	11%
- Three	16%	12%	11%	9%	17%	13%
- Four or more	26%	28%	20%	12%	23%	18%
No significant barriers	27%	27%	34%	52%	24%	40%

Similarly, when the analysis compares users and non-users that are active in a similar number of markets, UKTI users are still more likely to report significant barriers (although this difference is only significant for those active in 1-5 markets).

Table 13.1.13 Summary Barriers – By Number of Markets & UKTI Usage

	1-5 markets		6-10 markets		More than 10 markets	
	UKTI User	Non-User	UKTI User	Non-User	UKTI User	Non-User
<i>Base: All exporters</i>	72	302	58	118	150	145
<b>Types of Barriers</b>						
Legal & regulatory	39%	35%	42%	39%	58%	52%
Customs	32%	18%	31%	28%	31%	36%
Contacts	28%	20%	27%	30%	38%	21%
Information	12%	11%	14%	17%	13%	19%
Resource	18%	10%	22%	16%	19%	15%
Language & cultural	18%	10%	25%	15%	21%	25%
Bias	18%	13%	13%	16%	15%	21%
<b>Number of Barriers</b>						
At least one barrier	65%	52%	68%	62%	79%	74%
- One	16%	18%	16%	16%	16%	20%
- Two	16%	12%	7%	13%	22%	10%
- Three	15%	8%	16%	11%	16%	18%
- Four or more	19%	14%	30%	22%	25%	26%
No significant barriers	35%	48%	32%	38%	21%	26%

As seen below, there are no clear or consistent differences by age of firm within any of the 3 market types.

Table 13.1.14 Summary Barriers – By Market Type & Age

	High Growth			EEA			Other		
	Up to 5 yrs old	6-10 yrs old	Over 10 yrs old	Up to 5 yrs old	6-10 yrs old	Over 10 yrs old	Up to 5 yrs old	6-10 yrs old	Over 10 yrs old
<i>Base: All exporters</i>	46	54	213	47	68	147	53	64	163
<b>Types of Barriers</b>									
Legal & regulatory	48%	50%	51%	30%	34%	27%	53%	45%	48%
Customs	33%	37%	39%	13%	15%	10%	37%	33%	25%
Contacts	30%	37%	26%	21%	19%	21%	27%	22%	28%
Information	22%	20%	20%	19%	4%	9%	10%	14%	11%
Resource	15%	26%	16%	11%	10%	9%	14%	16%	17%
Language & cultural	17%	39%	23%	17%	10%	10%	6%	16%	13%
Bias	26%	15%	14%	11%	10%	19%	20%	6%	17%
<b>Number of Barriers</b>									
At least one barrier	76%	78%	71%	47%	49%	54%	71%	60%	66%
- One	20%	13%	16%	9%	20%	21%	22%	14%	18%
- Two	24%	19%	14%	11%	4%	12%	16%	10%	16%
- Three	4%	7%	17%	11%	9%	9%	12%	19%	12%
- Four or more	28%	39%	24%	17%	16%	11%	22%	18%	20%
No significant barriers	24%	22%	29%	53%	51%	46%	29%	40%	34%

There is no difference in the likelihood of encountering barriers in high growth markets, irrespective of export experience. There is also no clear pattern in this respect in EEA or other markets.

Table 13.1.15 Summary Barriers – By Market Type & Overseas Experience

	High Growth			EEA			Other		
	Exp. up to 2 yrs	Exp. 2-10 yrs	Exp. over 10 yrs	Exp. up to 2 yrs	Exp. 2-10 yrs	Exp. over 10 yrs	Exp. up to 2 yrs	Exp. 2-10 yrs	Exp. over 10 yrs
<i>Base: All exporters</i>	37	111	162	45	126	85	37	131	104
<b>Types of Barriers</b>									
Legal & regulatory	44%	52%	50%	26%	30%	32%	49%	46%	51%
Customs	37%	33%	42%	9%	16%	8%	34%	28%	28%
Contacts	34%	26%	30%	19%	20%	22%	39%	23%	26%
Information	24%	21%	19%	14%	11%	4%	14%	11%	11%
Resource	14%	20%	18%	12%	9%	9%	14%	16%	16%
Language & cultural	19%	34%	20%	10%	13%	9%	11%	13%	15%
Bias	21%	19%	13%	12%	13%	22%	19%	14%	15%
<b>Number of Barriers</b>									
At least one barrier	74%	73%	73%	47%	49%	58%	71%	64%	66%
- One	19%	11%	18%	14%	17%	24%	19%	20%	14%
- Two	17%	19%	13%	11%	7%	14%	23%	9%	20%
- Three	9%	13%	15%	9%	9%	12%	5%	16%	14%
- Four or more	29%	30%	26%	14%	17%	8%	24%	18%	18%
No significant barriers	26%	27%	27%	53%	50%	42%	29%	36%	34%

Although the bases are very low and the apparent differences are not statistically significant, there is some indication that large firms with 250+ employees are most likely to encounter barriers in each of the three types of market (particularly legal and regulatory barriers).

Table 13.1.16 Summary Barriers – By Market Type & Size

	High Growth				EEA				Other			
	0-9	10-249	250+	SME total	0-9	10-249	250+	SME total	0-9	10-249	250+	SME total
<i>Base: All exporters</i>	174	105	33	279	162	89	8	251	171	87	22	258
<b>Types of Barriers</b>												
Legal & regulatory	48%	52%	70%	50%	30%	29%	70%	29%	48%	47%	70%	48%
Customs	37%	39%	48%	38%	12%	11%	20%	12%	27%	33%	51%	29%
Contacts	24%	35%	30%	29%	18%	25%	10%	21%	25%	29%	46%	26%
Information	23%	16%	9%	20%	10%	7%	0%	9%	11%	13%	21%	12%
Resource	18%	19%	24%	18%	10%	9%	0%	10%	18%	13%	25%	16%
Language & cultural	23%	29%	24%	25%	9%	15%	10%	11%	13%	12%	30%	13%
Bias	14%	18%	9%	16%	11%	24%	30%	15%	13%	19%	8%	15%
<b>Number of Barriers</b>												
At least one barrier	73%	72%	82%	73%	48%	58%	80%	52%	67%	62%	75%	65%
- One	16%	15%	12%	16%	19%	19%	40%	19%	21%	12%	8%	18%
- Two	16%	16%	21%	16%	7%	16%	20%	10%	15%	13%	13%	14%
- Three	14%	14%	15%	14%	9%	10%	20%	9%	14%	14%	8%	14%
- Four or more	27%	28%	33%	27%	14%	13%	0%	13%	17%	24%	46%	19%
No sig. barriers	27%	28%	18%	27%	52%	42%	20%	48%	33%	38%	25%	35%

At the total level, there are no significant differences between production and service sector firms. However, service sector firms are significantly more likely to encounter legal and regulatory barriers in High Growth markets.

Table 13.1.17 Summary Barriers – By Market Type & Sector

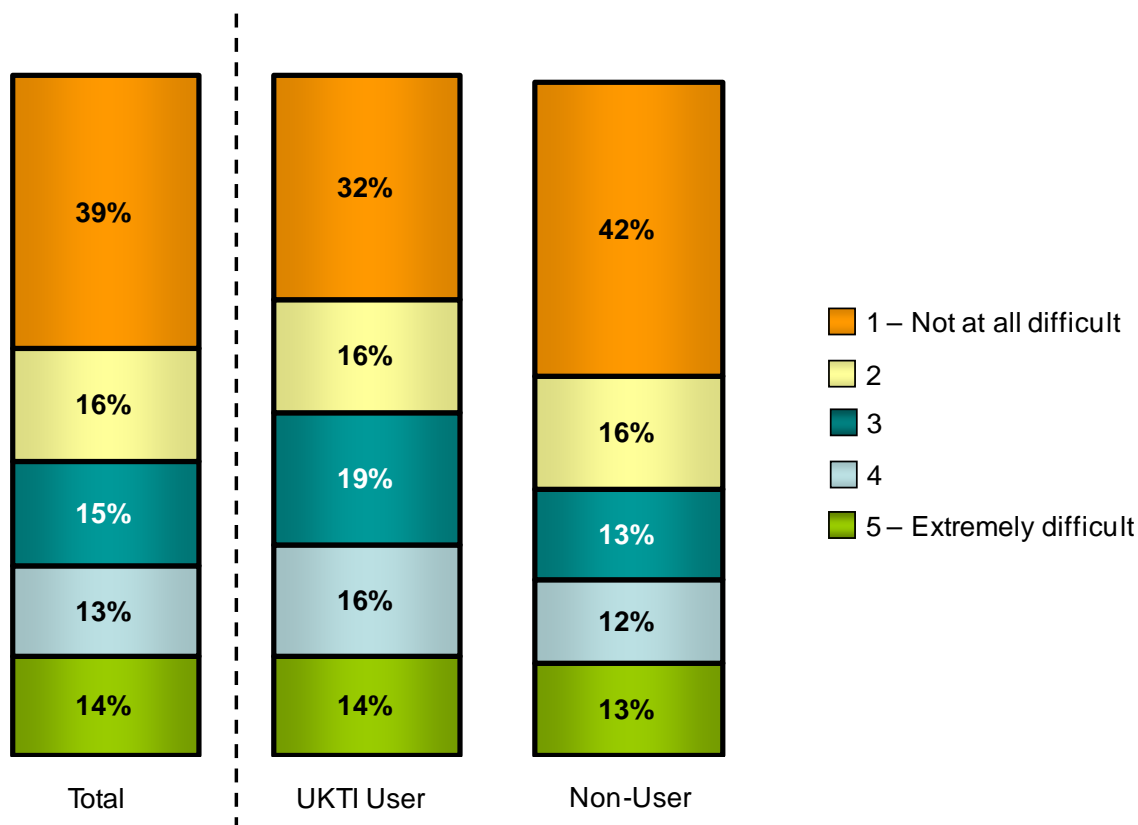
	Total		High Growth		EEA		Other	
	Prod.	Serv.	Prod.	Serv.	Prod.	Serv.	Prod.	Serv.
<i>Base: All exporters</i>	318	534	125	187	109	153	84	194
<b>Types of Barriers</b>								
Legal & regulatory	40%	45%	42%	56%	31%	28%	48%	48%
Customs	24%	28%	34%	41%	11%	13%	30%	29%
Contacts	22%	27%	26%	30%	18%	22%	21%	29%
Information	14%	14%	21%	20%	8%	9%	12%	12%
Resource	14%	15%	18%	18%	11%	9%	15%	17%
Language & cultural	15%	18%	23%	27%	8%	13%	12%	13%
Bias	13%	17%	16%	16%	14%	17%	9%	18%
<b>Number of Barriers</b>								
At least one barrier	60%	66%	67%	76%	50%	52%	63%	66%
- One	18%	17%	16%	15%	21%	18%	19%	17%
- Two	13%	14%	16%	16%	7%	12%	18%	13%
- Three	9%	15%	8%	18%	11%	8%	8%	17%
- Four or more	19%	21%	28%	27%	12%	14%	18%	20%
No sig. barriers	40%	34%	33%	24%	50%	48%	37%	34%

## 13.2 Barriers (Detailed)

### 13.2.1 Dealing with Legal or Tax Regulations & Standards (Legal & Regulatory Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.1 Dealing with Legal or Tax Regulations & Standards – By UKTI Usage



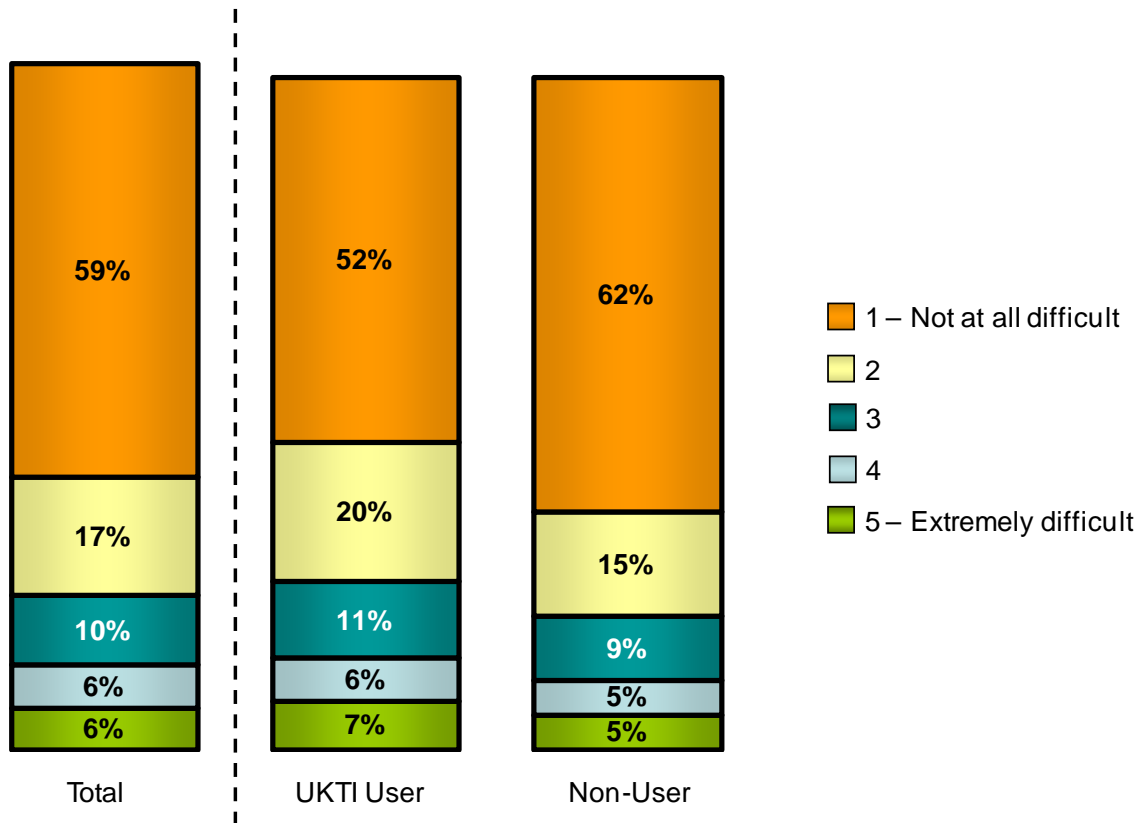
Base: All exporters (Base, Don't know)  
 Total (855, 3%), UKTI Users (286, 3%), Non-Users (569, 3%)

Dealing with legal or tax regulations and standards is one of the most widespread barriers, with over a quarter of firms (27%) experiencing it to a significant extent (i.e. 4 or 5 out of 5). The majority of internationalising firms (58%) reported at least some difficulties in this respect (i.e. 2-5 out of 5), with this more likely to be the case amongst UKTI users.

### 13.2.2 Protecting Your Intellectual Property (Legal & Regulatory Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.2 Protecting Your Intellectual Property – By UKTI Usage



Base: All exporters (Base, Don't know)  
 Total (855, 4%), UKTI Users (286, 3%), Non-Users (569, 4%)

Only 11% of firms reported a significant problem with protecting their intellectual property, making it the least prevalent of all the individual barriers tested. However, it is clearly still an issue to some degree for a large number of firms, with 38% indicating that they had experienced at least some difficulties in this respect (i.e. 2-5 out of 5).

As seen below, firms that hold some form of IP protection are slightly more likely to report significant problems protecting their IP overseas (15% vs. 10%), and this of course may have prompted them to obtain the IP protection in the first place.

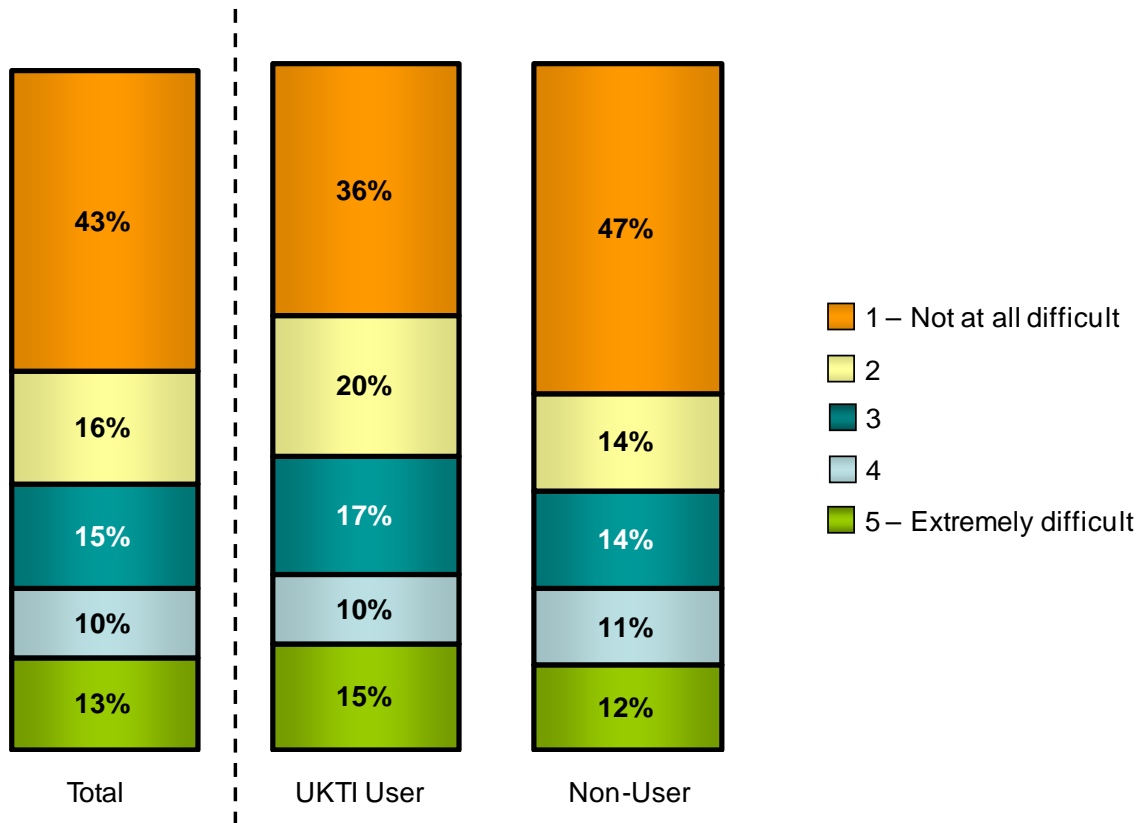
Table 13.2.2 Protecting Your Intellectual Property – By IP Activity

	IP Active	
	Yes	No
<i>Base: All exporters</i>	233	602
5 – Extremely difficult	9%	4%
4	6%	6%
3	13%	9%
2	21%	15%
1 – Not at all difficult	50%	62%
Don't know	1%	4%
<i>Significant barrier (4-5)</i>	15%	10%

### 13.2.3 Ensuring You Get Paid & Enforcing Contracts (Legal & Regulatory Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.3 Ensuring You Get Paid & Enforcing Contracts – By UKTI Usage



Base: All exporters (Base, Don't know)  
 Total (855, 2%), UKTI Users (286, 2%), Non-Users (569, 3%)

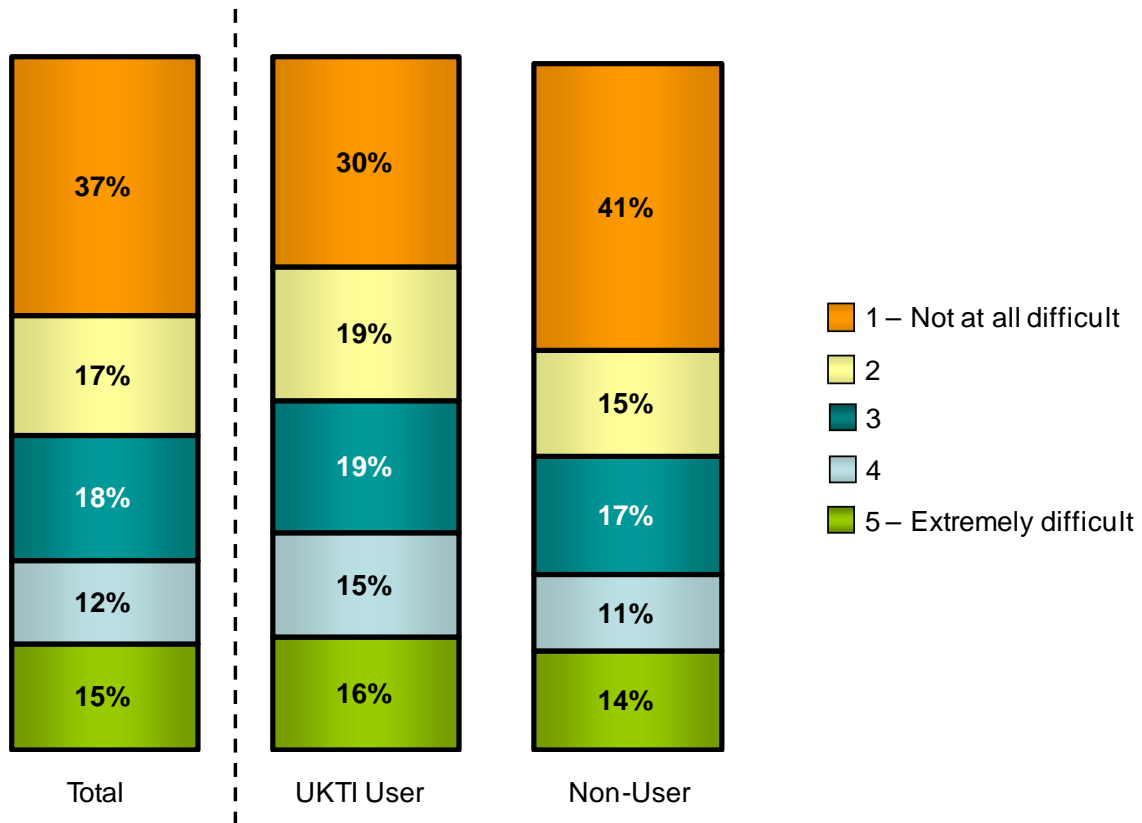
Over half of all internationalising firms (54%) reported at least some difficulty with getting paid and enforcing contracts, with 23% indicating it had been a significant difficulty (i.e. 4-5 out of 5).

It is worth noting that the risk of not being paid is the most likely reason for firms not doing business in a specific market (as seen in Section 11.1), with 43% of all respondents stating they have been put off from entering an overseas market for this reason.

### 13.2.4 Dealing with Customs Procedures & Paperwork (Customs Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.4 Dealing with Customs Procedures & Paperwork – By UKTI Usage



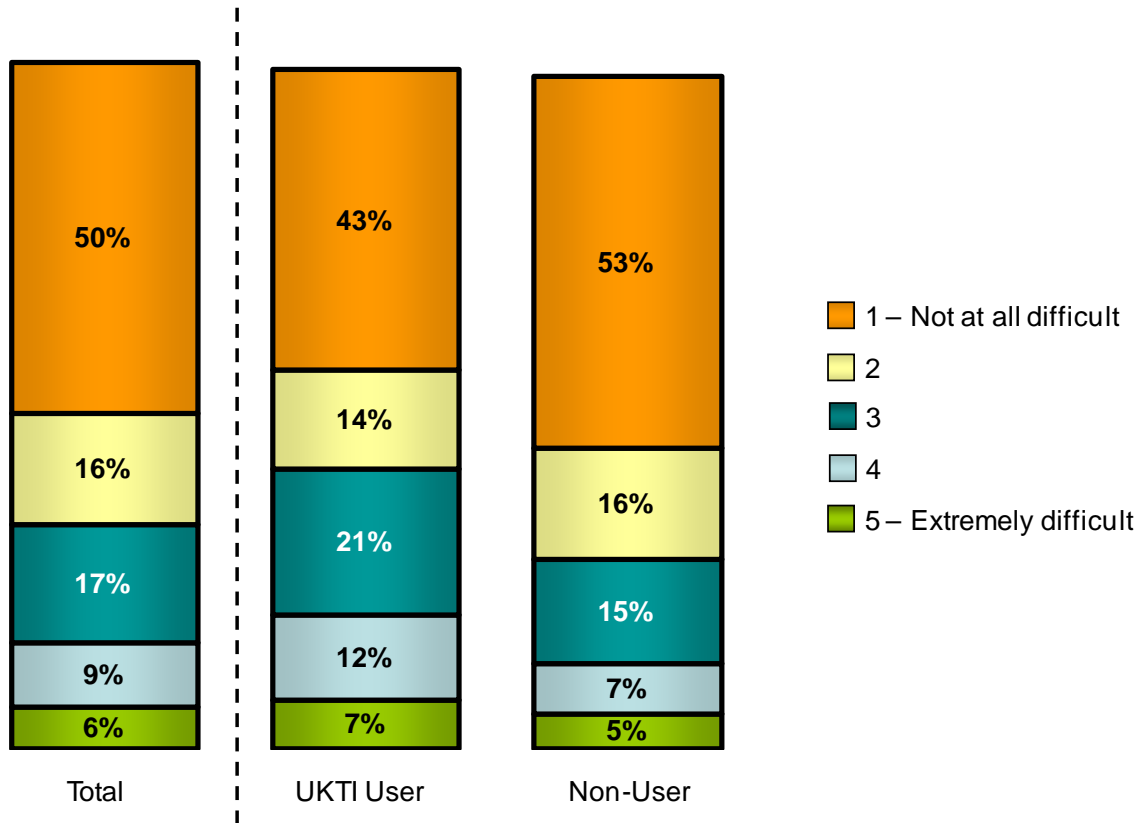
Base: All exporters (Base, Don't know)  
 Total (855, 2%), UKTI Users (286, 1%), Non-Users (569, 2%)

Over a quarter of internationalising firms (27%) have experienced significant difficulties with customs procedures, making it the most widely reported of the barriers tested. Overall 61% of firms have had at least some problems in this respect (i.e. score 2-5 out of 5), with this proportion increasing to 69% amongst UKTI users.

### 13.2.5 Identifying Who to Make Contact With in the First Instance (Contacts Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.5 Identifying Who to Make Contact With in the First Instance – By UKTI Usage



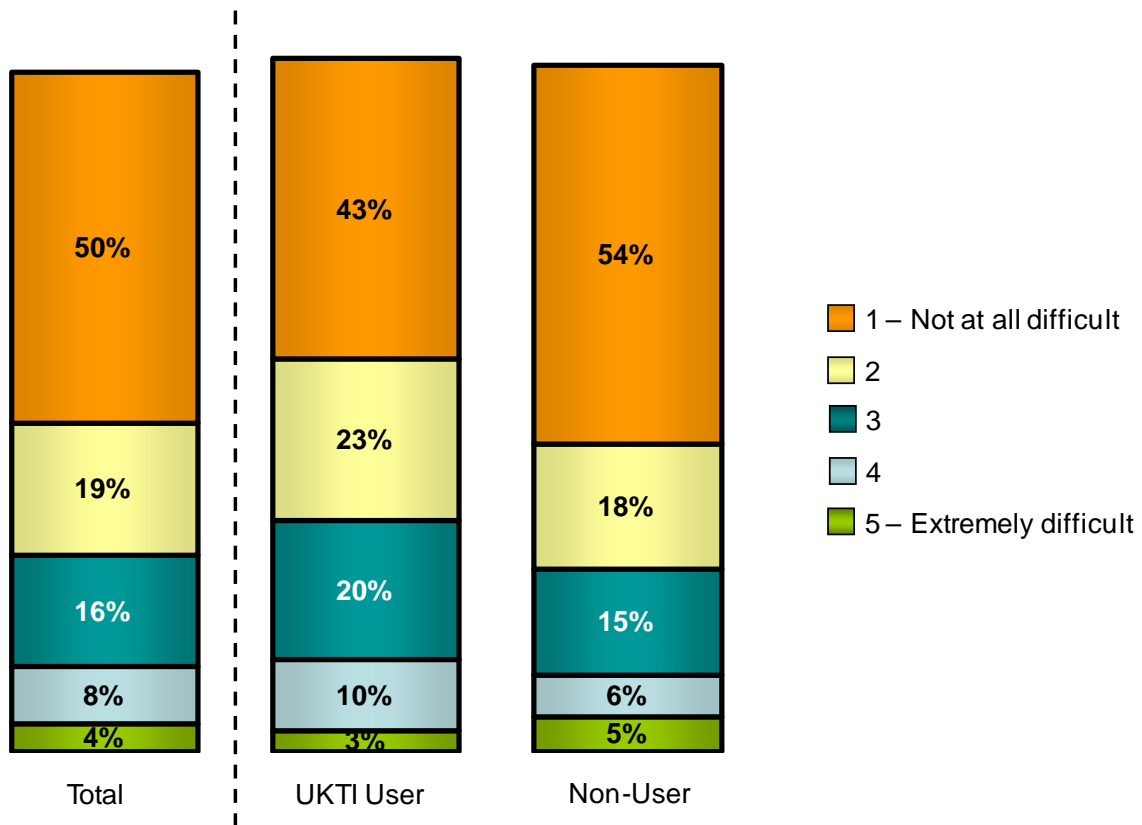
Base: All exporters (Base, Don't know)  
 Total (855, 3%), UKTI Users (286, 3%), Non-Users (569, 3%)

Half of all firms (48%) have experienced some level of difficulty with identifying initial contacts in their selected market, with this rising to 55% amongst UKTI users. This is consistent with other survey data that shows that a need to access suitable contacts is one of the major reasons for using UKTI support.

### 13.2.6 Establishing an Initial Dialogue with Prospective Customers or Partners (Contacts Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.6 Establishing an Initial Dialogue with Prospective Customers or Partners  
– By UKTI Usage



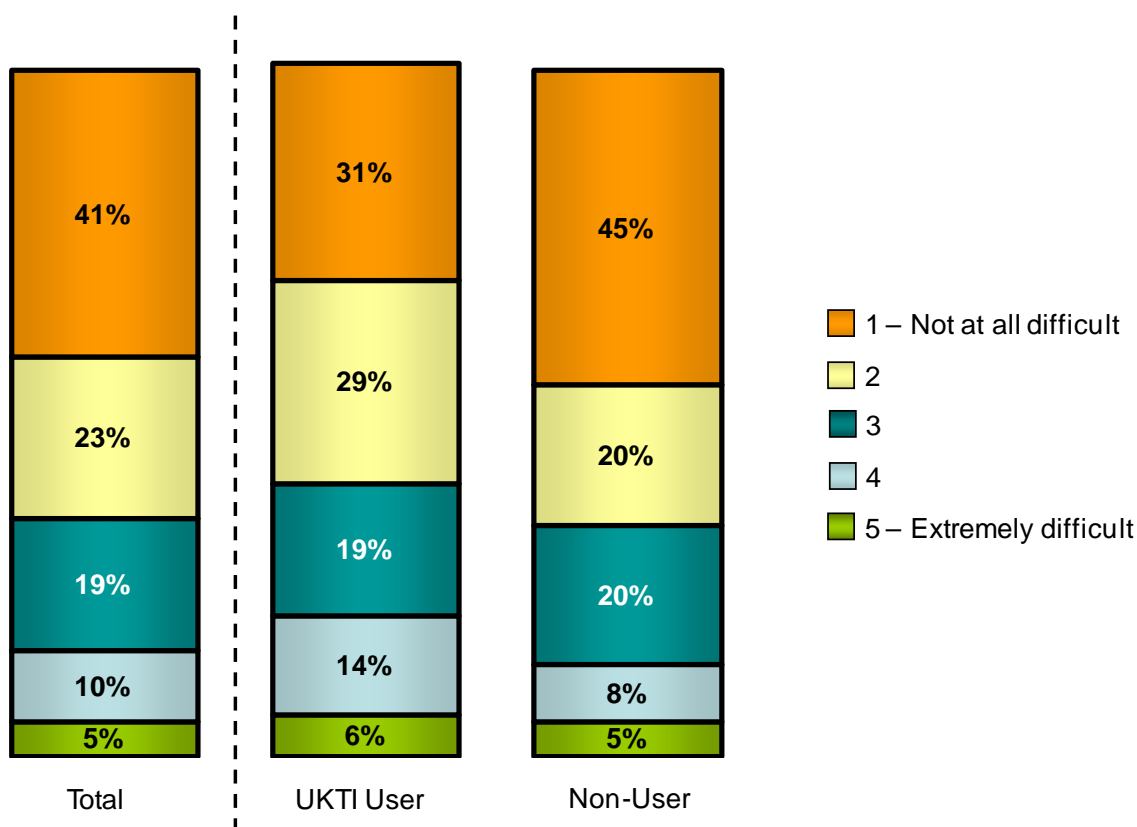
Base: All exporters (Base, Don't know)  
Total (855, 2%), UKTI Users (286, 1%), Non-Users (569, 3%)

Similar to the “Establishing who to make contact with in the first instance” barrier, half of firms (48%) have experienced some level of difficulty with establishing an initial dialogue with prospective customers or partners in the market in question although only 12% judged this to have been a significant problem (i.e. 4-5 out of 5).

### 13.2.7 Building Relationships with Key Influencers or Decision Makers (Contacts Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.7 Building Relationships with Key Influencers or Decision Makers – By UKTI Usage



Base: All exporters (Base, Don't know)  
 Total (855, 2%), UKTI Users (286, 1%), Non-Users (569, 2%)

Overall, 15% of firms reported significant difficulties building relationships with key influencers or decision makers in an overseas market, with 57% indicating that they had experienced at least some problems in this respect (i.e. 2-5 out of 5).

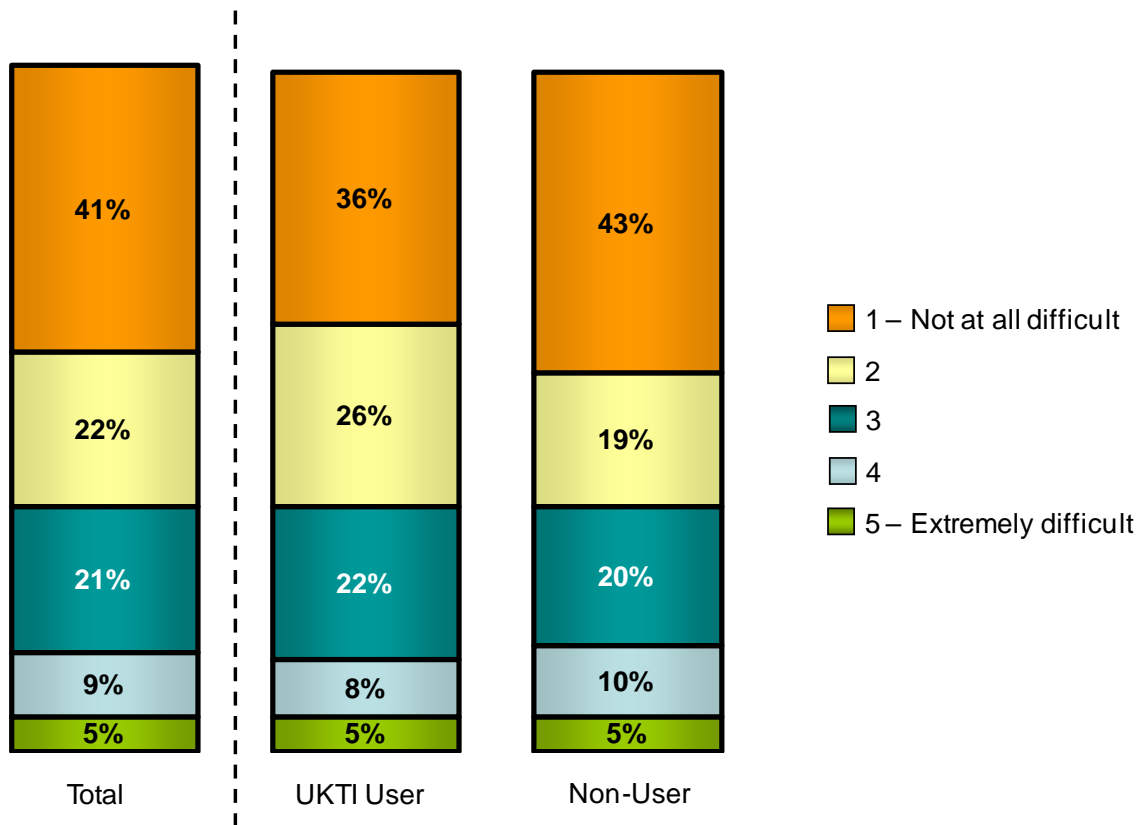
When taken in conjunction with the 48% reporting some level of difficulty establishing who to make contact with in the first instance and the 48% experiencing problems establishing an initial dialogue, this clearly demonstrates that contact identification and facilitation is a major area where internationalising firms can benefit from additional support.

The fact that UKTI users are more likely to report each of these contacts barriers implies that this is a common reason for firms approaching UKTI.

### 13.2.8 Obtaining Basic Information about Doing Business in the Market (Information Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.8 Obtaining Basic Information about Doing Business in the Market – By UKTI Usage



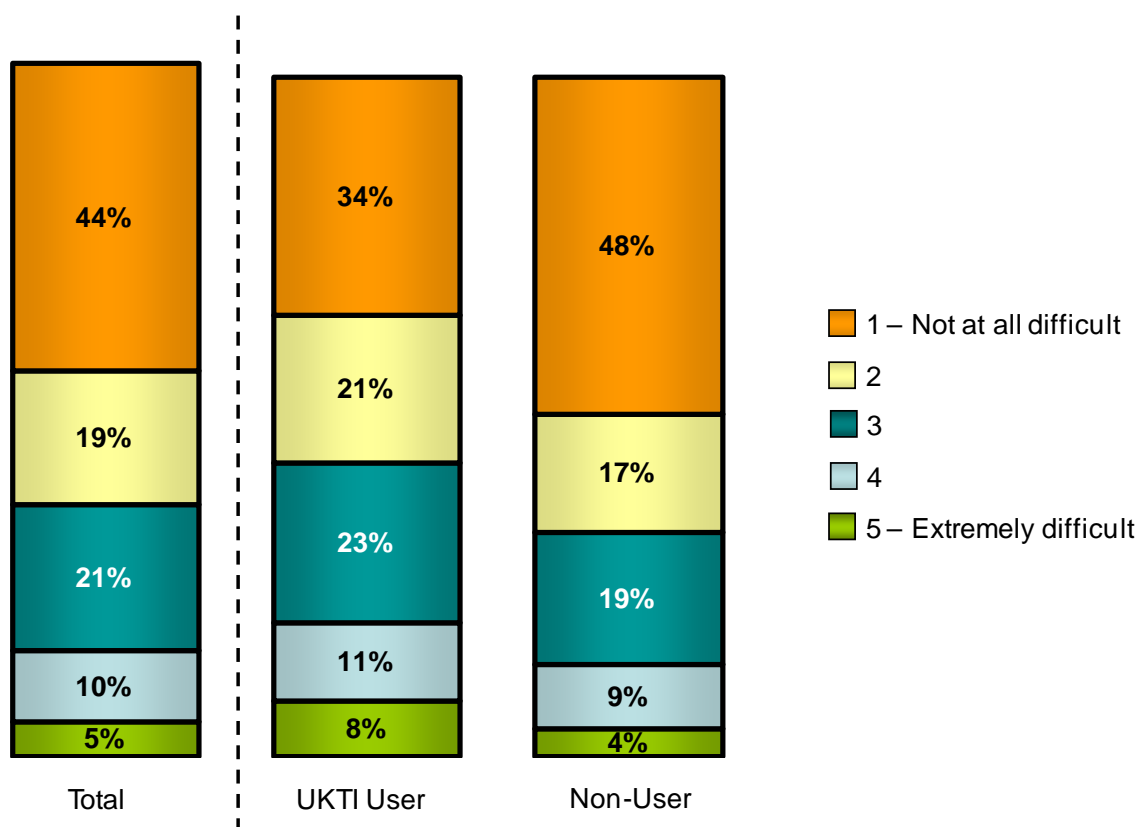
Base: All exporters (Base, Don't know)  
 Total (855, 3%), UKTI Users (286, 3%), Non-Users (569, 3%)

14% of firms indicated that obtaining basic information about an overseas market had been a significant problem (i.e. 4-5 out of 5), However, it should be noted that over half (56%) reported that they had experienced at least some difficulty in this respect, highlighting the need for an organisation such as UKTI to help fill these knowledge gaps.

### 13.2.9 Finding the Necessary Management Time to Devote to Doing Business in the Market (Resource Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.9 Finding the Necessary Management Time to Devote to Doing Business in the Market – By UKTI Usage



Base: All exporters (Base, Don't know)  
 Total (855, 3%), UKTI Users (286, 2%), Non-Users (569, 3%)

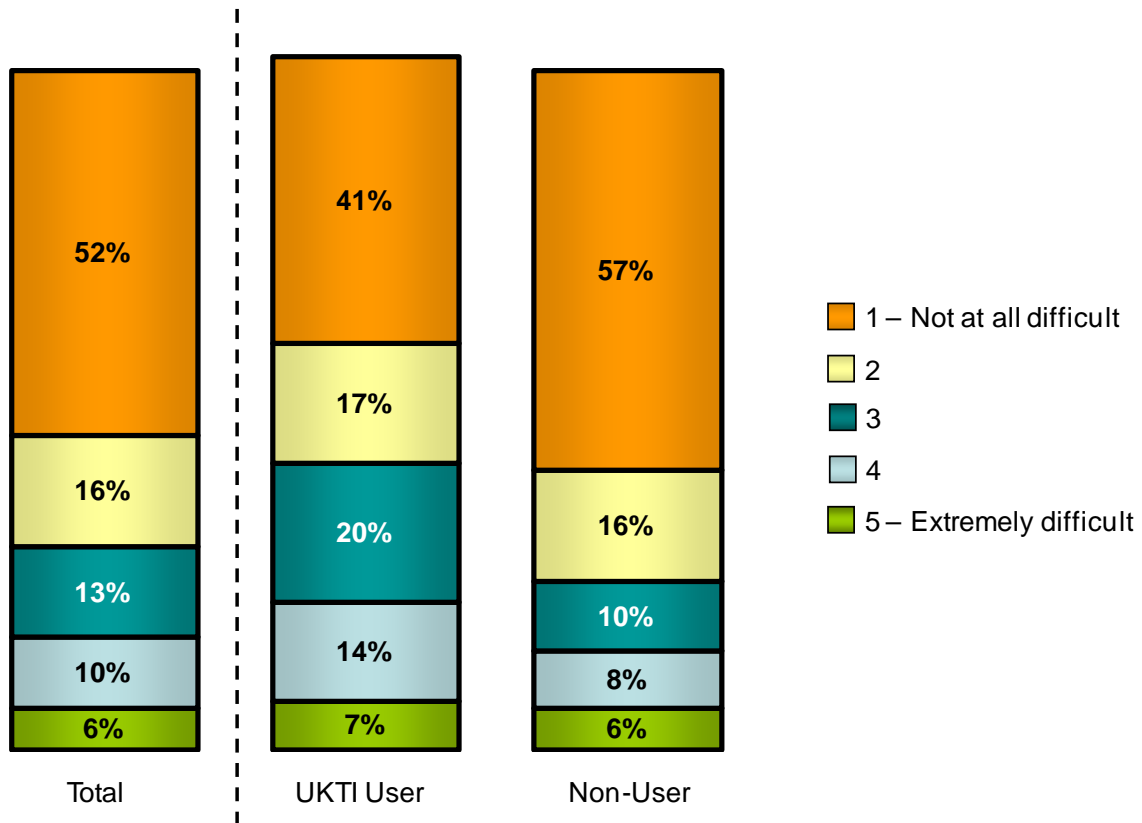
Lack of time and resources is clearly a hindrance to the development of overseas business for many firms, with 54% indicating that they have had some difficulties in this respect (and 15% claiming that it has been a significant problem). Once again, users of UKTI are more likely to report this barrier, emphasising the importance of UKTI's role in helping firms target their often limited resources most effectively.

Whilst it might be assumed this would be a particular problem for smaller firms, it is actually reported as a significant problem (score 4 or 5) by larger firms in 21% of cases, compared to 15% for SMEs.

### 13.2.10 Negotiating the Language & Culture (Language & Cultural Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.10 Negotiating the Language & Culture – By UKTI Usage



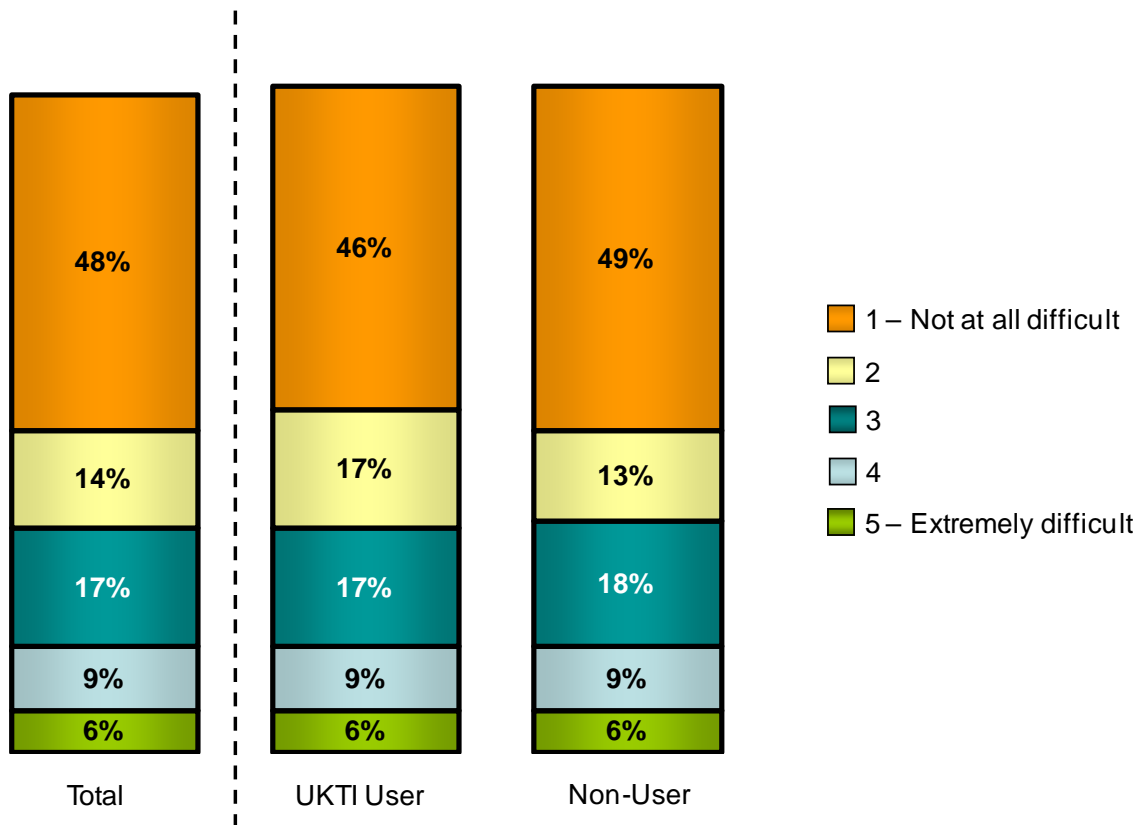
Base: All exporters (Base, Don't know)  
 Total (855, 2%), UKTI Users (286, 1%), Non-Users (569, 2%)

Overall, 17% of all internationalising firms have experienced significant problems with language or cultural differences in their most challenging market, with almost half (47%) reporting at least some difficulty in this regard (i.e. 2-5 out of 5). Again, this barrier is more likely to have been experienced by UKTI users.

### 13.2.11 Customers Preferring to Do Business with Firms from Their Own Market (Bias Barrier)

The chart below shows the detailed breakdown of the extent to which firms have experienced this barrier in their chosen market. Analysis has been provided at the total level and by UKTI usage.

Chart 13.2.11 Customers Preferring to Do Business with Firms from Their Own Market (Rather than with UK Firms) – By UKTI Usage



Base: All exporters (Base, Don't know)  
Total (855, 5%), UKTI Users (286, 5%), Non-Users (569, 5%)

Approaching half of all internationalising firms (47%) claim to have encountered bias issues to at least some extent (i.e. score 2-5 out of 5). There is little difference between UKTI users and non users in this respect, with 15% reporting that it has been a significant barrier (4-5 out of 5) in each case.

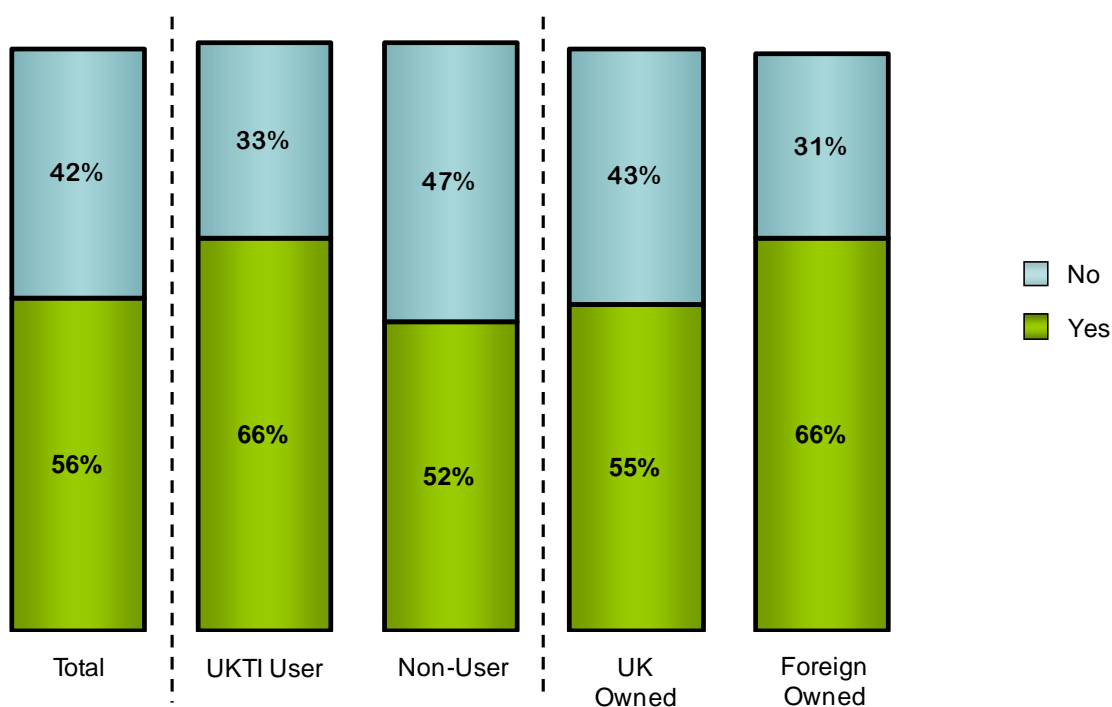
## 14. Importing & Overseas Supply Chains

### 14.1 Importing Activity

#### 14.1.1 Whether Imported in Last 5 Years

Firms were also asked whether they had bought any goods or services from overseas suppliers in the previous 5 years, and the chart below summarises these results. Please note that firms were not eligible to participate in the research purely on the basis of import activity, and they had to also be involved in one of the outward internationalisation modes to qualify for interview.

Chart 14.1.1 Proportion Importing Goods or Services in Last 5 Years  
– By UKTI Usage & Company Ownership



Base: All respondents (Base, Don't know)  
Total (950, 1%), UKTI Users (303, 2%), Non-Users (647, 1%), UK Owned (848, 1%), Foreign Owned (101, 3%)

Over half of exporters have also imported in the last 5 years, and this is significantly more likely to be the case for UKTI users than non-users. This proportion has been very consistent over time, ranging from 56% to 58% over the last 4 years of the Internationalisation Survey.

UKTI users are more likely to import goods or services, and the same is true of foreign-owned firms.

***For the remainder of this section of the report all the analysis is based solely on the 56% of firms that have imported in the last 5 years.***

### 14.1.2 Types of Goods/Services Imported

Firms were asked what types of goods and services they had imported in the last 5 years.

Table 14.1.2 Types of Goods/Services Imported  
– By UKTI Usage & Company Ownership

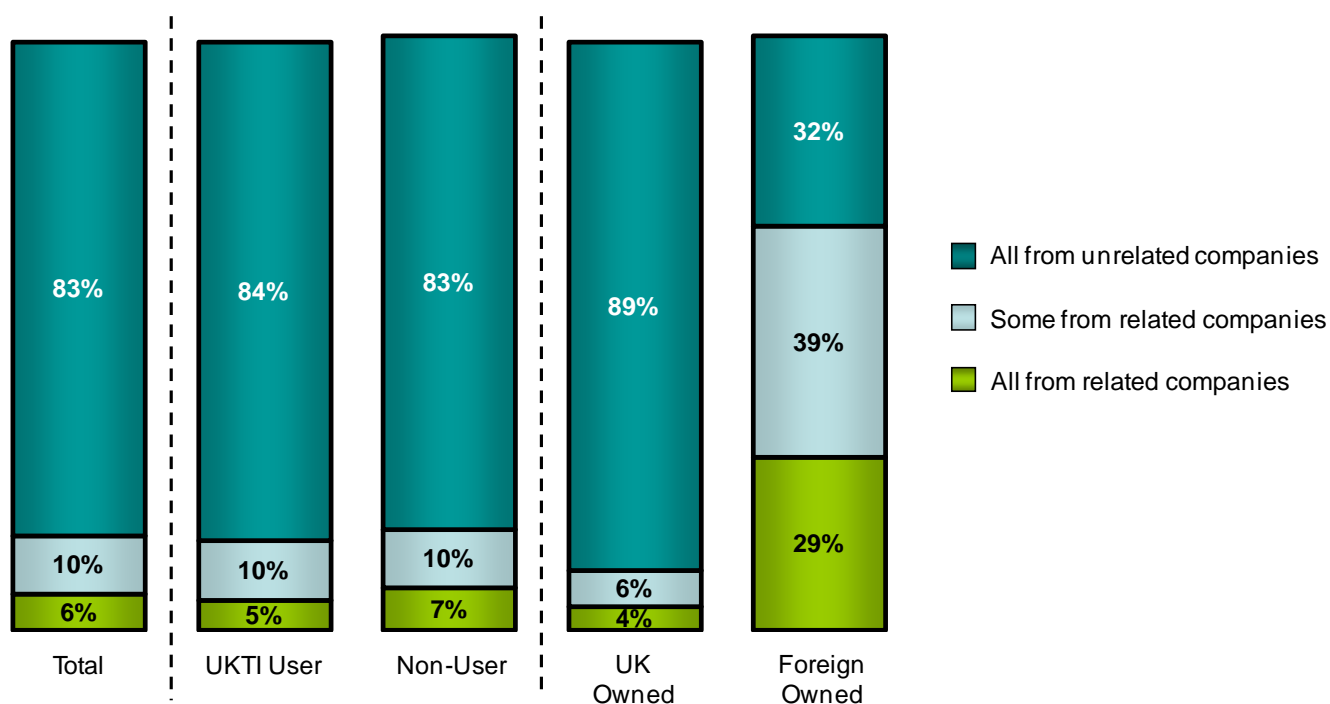
	Total	UKTI Usage		Company Ownership	
		UKTI User	Non-User	UK	Foreign
<i>Base: All importers</i>	540	200	340	468	71
Finished products	68%	70%	67%	69%	64%
Components	48%	55%	44%	48%	44%
Raw materials	31%	36%	28%	29%	41%
Business services	25%	22%	27%	25%	23%
R&D	11%	14%	10%	11%	12%
Don't know	2%	1%	2%	2%	0%

Two-thirds of importing firms purchase finished products from overseas suppliers, with around half sourcing components.

### 14.1.3 Where Imported From

Firms were also asked whether these goods and services were provided by a company related to their business (e.g. a parent company, subsidiary, sister company, etc).

Chart 14.1.3 Whether Imported From Related Companies  
– By UKTI Usage & Company Ownership



Base: All importers (Base, Don't know)  
Total (540, 1%), UKTI Users (200, 1%), Non-Users (340, 1%), UK Owned (468, 1%), Foreign Owned (71, 0%)

As detailed above, the vast majority of firms (83%) solely import from suppliers that are not related to their company. However, the glaring exception to this is foreign-owned firms, with 68% of this group sourcing goods or services from associated companies (and 29% importing solely from within their wider organisation).

14.1.4 Reasons for Importing

Those firms that had imported in the last 5 years were asked for their reasons for doing so, with the most widely mentioned responses shown below.

Table 14.1.4.1 Reasons For Importing  
– By UKTI Usage & Company Ownership

Top Mentions (4%+)	Total	UKTI Usage		Company Ownership	
		UKTI User	Non-User	UK	Foreign
<i>Base: All importers</i>	540	200	340	468	71
To get more competitive prices	66%	64%	67%	67%	57%
No UK supplier of these products/services	59%	60%	58%	61%	43%
To get better quality products or services	43%	43%	44%	44%	36%
No control over procurement (e.g. dictated by parent, customer, etc)	4%	2%	5%	2%	17%

The main drivers of import activity are cost and a perceived lack of UK alternatives, with each of these mentioned by the majority of firms. Product/service quality is also a significant factor, with two-fifths of firms also citing this as a reason for purchasing from overseas suppliers.

At the total level, only a small minority of firms (4%) indicated that they import because they have no choice (i.e. their procurement channels are dictated by another party, such as their parent company or the end customer). However, this proportion rises sharply among foreign-owned firms, to 17%.

To shed more light on the perceived lack of availability of (suitable) alternatives in the UK, firms were also asked which of the types of goods/services that they imported they would find it most difficult to find a suitable UK-based alternative for.

Table 14.1.4.2 Goods/Services Most Difficult to Find UK Alternative For  
– By UKTI Usage & Company Ownership

	Total	UKTI Usage		Company Ownership	
		UKTI User	Non-User	UK	Foreign
<i>Base: All importers</i>	540	200	340	468	71
Finished products	42%	40%	43%	43%	34%
Components	17%	19%	16%	16%	22%
Raw materials	16%	18%	15%	15%	27%
Business services	12%	11%	13%	13%	6%
R&D	4%	4%	3%	4%	4%
Other goods/services	1%	2%	0%	1%	0%
None of these/could source UK alternative for all of them	6%	6%	6%	6%	4%
Don't know	3%	2%	4%	3%	4%

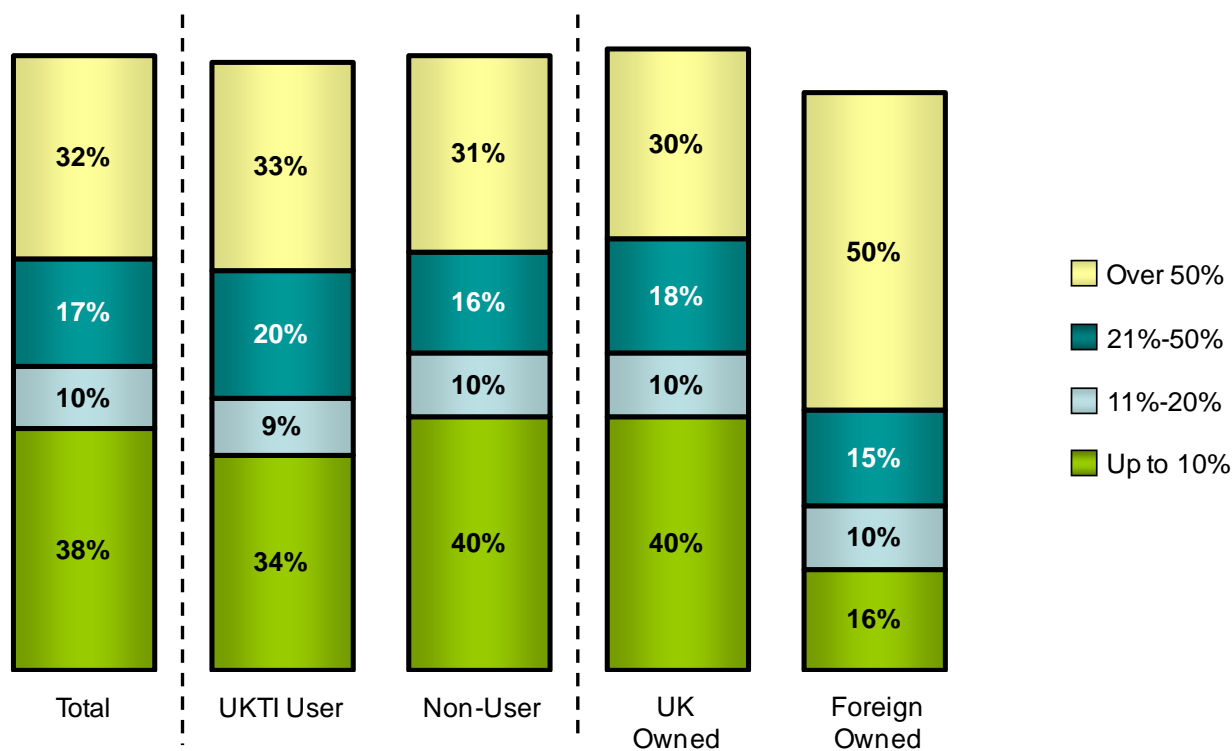
Reflecting the fact that most importers were sourcing finished products from overseas, this is the type of good that was most commonly identified as being difficult to find a suitable UK alternative for.

Broadly similar proportions of firms felt that components, raw materials and business services were the most difficult type of good/service to find a suitable alternative for from a UK supplier.

### 14.1.5 Import Proportion (% of all Purchases)

Importing firms were asked to estimate the proportion of all their purchases (in cost terms) that were sourced from overseas supplier.

Chart 14.1.5 Proportion of Total Purchases Sourced From Overseas Suppliers – By UKTI Usage & Company Ownership



Base: All importers (Base, Don't know)  
 Total (540, 4%), UKTI Users (200, 5%), Non-Users (340, 3%), UK Owned (468, 3%), Foreign Owned (71, 9%)

As detailed above, a third of firms are very substantial importers, sourcing over 50% of their goods or services from overseas suppliers. This is more likely to be the case among foreign-owned firms, half of whom import the majority of their purchases.

Firms also asked whether the proportion of their total purchases accounted for by imports had changed over the last 3 years, and whether they expected it to change over the next 3 years.

Table 14.1.5.1 Changes in Import Proportion Over Time  
– By UKTI Usage & Company Ownership

	Total	UKTI Usage		Company Ownership	
		UKTI User	Non-User	UK	Foreign
<i>Base: All importers</i>	540	200	340	468	71
<b>Last 3 years - Change in % of purchases accounted for by imports</b>					
Increased	37%	38%	37%	37%	38%
Stayed same	51%	54%	49%	51%	51%
Decreased	10%	7%	12%	11%	9%
Don't know	2%	1%	2%	2%	2%
<b>Next 3 years – Anticipated change in % of purchases accounted for by imports</b>					
Increase	36%	35%	36%	35%	43%
Stay same	52%	54%	51%	53%	41%
Decrease	9%	8%	9%	8%	13%
Don't know	4%	4%	4%	4%	4%

As seen above, imports appear to have grown in importance over the past 3 years and are expected to increase further over the next 3 years. There are no notable differences by UKTI usage or company ownership in this respect.

The table below provides further analysis of the change in the import proportion by the current proportion of firms' purchase that are accounted for by imports.

Table 14.1.5.2 Changes in Import Proportion Over Time  
– By Current Import Proportion

	Total	Current Import Proportion (% of all purchases)			
		1-10%	11-20%	21-50%	>50%
<i>Base: All importers</i>	540	200	54	95	164
<b>Last 3 years - Change in % of purchases accounted for by imports</b>					
Increased	37%	26%	53%	46%	41%
Stayed same	51%	61%	40%	38%	50%
Decreased	10%	12%	7%	16%	7%
Don't know	2%	0%	0%	0%	1%
<b>Next 3 years – Anticipated change in % of purchases accounted for by imports</b>					
Increase	36%	27%	42%	45%	39%
Stay same	52%	63%	41%	46%	47%
Decrease	9%	7%	13%	5%	12%
Don't know	4%	2%	4%	3%	2%

It appears that the overall increase in import proportions is not simply a trend towards the mean (i.e. lower-level importers doing more), but is instead driven by slightly larger importers (who already import over 10% of their purchases) buying more from overseas.

## 14.2 Importing Decision-Making & Supply Chain Relationships (Qualitative)

### 14.2.1 Background

#### *Purpose & Objectives of Qualitative Research*

A small stage of qualitative research was conducted after completion of the main quantitative Internationalisation Survey. The purpose of this stage was to explore the following two broad issues in further detail:

1. How firms make decisions about purchased inputs in general and specifically importing. What are the factors driving purchase and import decision-making? To what extent do firms have formal policies in place regarding importing?
2. The nature of firms' relationships with other members of supply chains. To what extent do they form deep and lasting linkages with others in the chain, and what are the benefits of doing so?

#### *Methodology & Sample*

We conducted 10 qualitative depth interviews by telephone. Each interview lasted approximately 30 – 45 minutes, depending on the time each firm had available and the level of detail of their responses.

The sample consisted of firms that had taken part in the main quantitative survey and agreed to be re-contacted for further UKTI research. To be eligible for this study, firms needed to be both importers and exporters of goods or services. We interviewed a mix in terms of company ownership as follows:

- UK owned: 5 interviews
- Foreign-owned: 5 interviews

We targeted more involved importers who indicated that imports account for more than 50% of their total purchases. We also included a mix of firms according to their size, sector and overseas experience.

### 14.2.2 Doing Business in the UK

#### *Profile of Foreign-Owned Firms*

This qualitative sample included five foreign-owned firms. Of these, two were involved in the production of physical goods and two with the distribution of goods and/or the provision of specialist services to support the sale of products or systems. Specific business activities included producers of tooling equipment, computer peripherals and consumables, plastic sleeve products and domestic boilers.

The UK arms of these companies reported a range of different activities and roles within their parent companies' overall structures and strategies.

- Two firms described large, multi-functional UK operations. They were engaged in manufacture (or assembly), sales, R&D and after sales service activities. In

both cases, the firms explained that their UK operations focused on a particular product line or group of products which other sites around the world were not producing (to the same extent).

*“The UK deals with a particular type of xxxx. The sales in that area are all driven out of the UK office. It has just built up that way over the years. Sales in that area are doing very well at the moment.”* (Foreign-owned)

- The remaining three firms were primarily involved with reselling items, or derivations of items produced by their parent companies. However, the nature of their activity varied to some extent. One provided added value processes and services to their parent company’s core product range by combining various individual parts. The others were essentially importing and exporting completed products.

Two firms explained that they purchased almost exclusively from their parent or related companies. These firms were involved in re-selling whole products or repackaging/combining products for resale to the UK and European markets.

Three firms were not tied to purchasing from related companies, although two of them did so for some inputs. These firms purchased a range of inputs, from raw materials such as rubber through to research and analytical services from consultants.

### *Reasons for Choosing the UK*

The foreign owned firms within our sample reported a range of different motivations for choosing to do business in the UK. With such a limited sample size, it is not possible to draw overall conclusions, but the following broad factors emerge as initial motivations for investing in the UK:

- Desire to expand in terms of turnover and global coverage: For two firms, opening offices in the UK (through greenfield investment or acquisition) enabled them to implement a strategy of global expansion and increase of market share. The UK was selected as a location due to the availability of suitable talent, the ease of doing business (i.e. lack of language barriers) or the location of the UK as a potential ‘hub’ for further expansion.

*“It was all about finding a suitable hub, with suitable talent. The UK has become a springboard for everything that is not US. We don’t have subsidiaries anywhere else, just distributors in a number of markets.”* (Foreign-owned)

- Attraction of the UK as a market: Two firms were directly motivated by a desire to be in the UK market for their particular goods or services. They explained that the UK represented a large and potentially lucrative market for them. In these cases, the firms had initially built relationships with UK-owned distributors/re-sellers which they had subsequently acquired.

*“We were originally a re-seller for xxx. We had been their exclusive agent for a while and then about ten years ago they bought us.”* (Foreign-owned)

- Diversification: One firm explained that they had entered the UK market after capitalising on an opportunity to expand into a new sector. They had acquired a UK firm in order to achieve this. This was described as a somewhat reactive step, as expansion into this area had not necessarily been planned. Rather, the firm became aware of the opportunity to make the acquisition and felt that it represented a chance of entering a large and lucrative market by meeting a clear, niche requirement.

*“We have been here since 2006. The UK is an important market, but we did not think we could really challenge the competition. Then an opportunity came along to acquire a company. It was a new sector for us.”* (Foreign-owned)

### 14.2.3 Supplier Choice & Import Decision-Making

#### *Factors Affecting Supplier Choice*

Firms described a range of factors affecting their decision-making in relation to their suppliers. These factors differed from firm to firm, depending to some extent on their size, sector and ownership. However, they also varied *within* firms, depending on the type of input required.

Some firms reported multiple supply chains reflecting the range of goods they sold. The decision-making relating to these different products or services was affected by the availability of the inputs, demand for them (or the products and services which they related to) and the overall importance of them to the business as a whole.

*“We sell a lot of different things, so there are a great many supply chains. Some suppliers are much more important than others though. It’s the 80-20 rule.”* (UK-owned)

Firms generally described a combination of factors driving their decision-making. They explained a need to weigh-up the various pros and cons of each potential supplier, as well as the potential benefits of loyalty vs. shopping around.

Most firms in the sample described loyalty to at least one of their core suppliers. They described the benefits of building lasting relationships with suppliers (discussed in more detail below) and therefore acknowledged that historic behaviour and habit play a role in decision-making to some extent. While a cheaper option may be considered beneficial, the cost savings need to be considerable before some firms consider switching suppliers to take advantage.

However, in some circumstances firms described a willingness or even necessity to shop around as much as possible. When sourcing basic components or raw materials, achieving the best price possible was sometimes only considered viable by constantly reviewing suppliers and negotiating on price for each transaction.

*“Our decision-making is really dynamic to reflect how price sensitive the product is. The big factors we consider are exchange rate and the cost of bringing materials in from certain markets. We are playing the commodities market.”* (UK-owned)

It is possible to identify the primary factors which firms most commonly consider important in the supplier decision-making process. The process is generally pragmatic, and in many cases characterised by the perception that there is a limited choice of suppliers who are able to meet certain 'must have' criteria relating to the **quality and suitability of inputs**. Firms reported particular quality standards for products, components or services which were either determined by their own customers, themselves (based on experience) or in some cases official accreditation or certification bodies (e.g. for food and technical production).

*"Our main inputs are research and data really...we go wherever we find the best providers of the services we need for a particular project and client. We avoid agencies and would rather use individual contractors who we can trust. Usually we find people by networking."* (UK-owned)

*"We really have a very limited choice of possible suppliers. Traceability is absolutely key for us and our customers. There is a finite pool of accredited and certified suppliers."* (Foreign-owned)

Firms generally agreed that in order to meet these minimum standards for their purchased products or services, the pool of potential suppliers was limited to some extent. Furthermore, they explained the importance of **meeting demand in terms of volume**. They considered availability of inputs in the volumes required as a critical factor. Some firms explained that they were only able to meet their volume requirements by using multiple suppliers for the same raw materials (switching between them regularly or doubling up suppliers). Others explained that they adopted dual sourcing policies to provide a 'back-up' provider, should their first choice supplier be unable to meet their requirements.

*"We have a low-cost country sourcing policy. But we will always dual source from a western provider to pick up any shortfall. We need to make sure that the products are available when we need them."* (Foreign-owned)

Often, firms explained that these critical factors of quality and availability were more important than price, and that they were willing to pay a little more to get the quality they needed or that their customers expected. However, when selecting from the pool of suitable suppliers (i.e. those that meet the quality/availability criteria), **cost is nearly always the key factor driving decisions**. Many firms explained that they are motivated by a need to increase their margins as much as possible, and that minimising the cost of inputs is a crucial means of achieving this in the current economic climate.

Some firms explained that they are willing to compromise on other factors to achieve a lower price. For example, while high quality service (e.g. account management, communications, relationship building) were often considered important, firms purchasing components, raw materials or basic completed products (not requiring high levels of technical support) described a willingness to forfeit these to an extent for a lower overall price.

*"We certainly have a preference for partnership with our suppliers, but the reality of business survival is such that we will basically always chase the money."* (UK-owned)

While certain aspects of ‘**service**’ (as outlined above) were described as ‘nice to have’ factors, others were often considered more crucial. Speed of delivery was often described as key. Firms were typically not willing to pay less for a product if its delivery time was likely to be outside of their requirements, or if a supplier was known to be late with deliveries. Similarly, firms described the importance of flexibility and a willingness on the part of suppliers to make exceptions for them or go the extra mile to deliver on a request quickly and/or within a certain price constraint. Firms often reported greater flexibility and willingness to ‘go the extra mile’ among their regular suppliers. This is explored in more detail in Section 14.2.5.

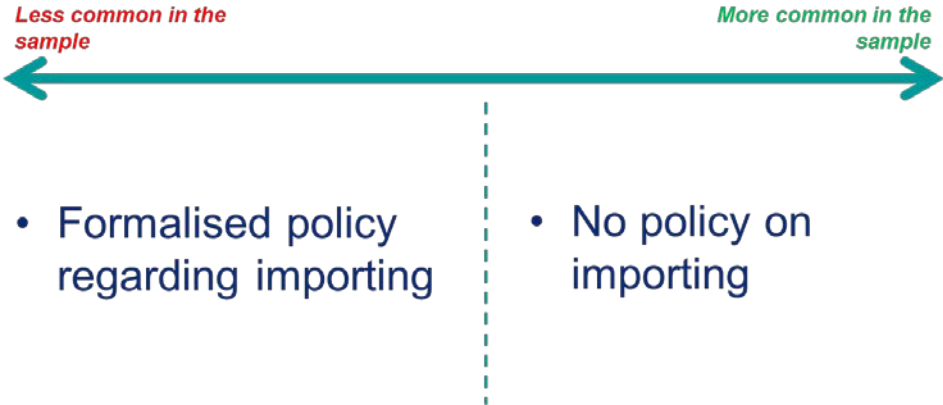
Country of origin was rarely described as a factor in itself when selecting suppliers. However, some firms explained that they equated certain markets with certain characteristics in terms of suppliers, such as lower price (e.g. China) or better/best quality. Furthermore, some foreign-owned firms were limited to purchasing many core inputs from their parent companies, and therefore from their country of origin.

*“We just source things from wherever we can get it really. We don’t think about the market as such.” (UK-owned)*

14.2.4 Approach to Importing

All firms within the sample sourced at least 50% of their purchases from overseas suppliers. In some cases, the proportion was as high as 100% (some foreign owned firms), while others reported a greater mix.

Figure 14.2.4 Approach to Importing Among the Sample



When discussing the reasons for importing, firms usually described a lack of any viable option to do otherwise. Most firms described an informal approach to their consideration and thinking around country of origin, or indeed, no conscious decision-making on the matter at all. They explained that they tended to purchase from whichever markets were able to meet their key selection criteria, as outlined above, and that this had increasingly meant looking to overseas markets.

Despite the lack of a formal policy on importing, some UK-owned firms described an underlying intention or preference to ‘buy British’ if at all possible. In most cases this was due to a simple sense of duty or national loyalty, and awareness that the

economy (and consequently themselves and their business) would benefit from UK firms in general increasing sales.

*“We don’t really consider this too much. I guess we would try to source from the UK if we can...it’s just the right thing to do really.”* (UK-owned)

However, many noted that the supply of particular products, components or raw materials had dried up in the UK in recent years, or that the price demanded by UK suppliers was simply prohibitive compared with those offered by their competitors overseas.

*“Over the years, our ability to build the products ourselves has sort of diminished really. The tools and manufacturing equipment are no longer available...the market has sort of forced itself overseas.”* (UK-owned)

When discussing the underlying preference to buy British, some firms explained that they try to complement their importing activity with at least some purchases from UK suppliers. One firm explained that while large volume purchases of certain components had been switched to a Chinese supplier, they maintained long term relationships with certain key UK suppliers. They noted that by doing so, they were able to access better customer service and flexibility of delivery and price terms.

Others noted that they would always look to source inputs from the UK in the first instance in order to avoid the ‘hassle’ associated with importing from overseas and to minimise their risks. They were concerned with slow delivery or a failure to deliver from overseas suppliers with whom they had limited experience. They also wanted to avoid price fluctuations based on changes in currency exchange rates.

*“In some instances we will be a bit more loyal to a UK supplier, but that is mainly to avoid currency risk, or sometimes because if we deal with UK firms we can get better terms.”* (UK-owned)

Only a small minority of firms in our sample reported more formal approaches or policies regarding importing. The most common circumstance mentioned was among foreign-owned firms that had policies in place to purchase from other companies within their group or from their parent company. In these cases, the primary driver for importing was to keep revenue within the business. While firms generally felt that this policy made sense (or that no other course of action was feasible), one firm felt that the rigid stance adopted by their overseas parent company resulted in them losing sales in the UK because customers demanded different products.

*“Sometimes I just ignore what head office says. If a customer really needs a certain product and they can’t provide it, I’ll go elsewhere...but I’m really not supposed to do that.”* (Foreign-owned)

Two firms reported formal strategic planning regarding import activity. While their specific motivations and approaches differed, both were driven by a need to keep costs down and by the reduction in available inputs from UK suppliers.

- One reported a ‘low cost country’ sourcing policy. After studying the range of available suppliers of components they had concluded that China provided the best option in terms of cost. However, they added that they also dual sourced from European and UK suppliers to mitigate against any potential delivery shortfall from their Chinese supplier, whom they felt had the potential to be unreliable.
- One explained that they had made a strategic decision to cease their in-house manufacturing operations and source components and products from overseas instead. They explained that this decision was made as a result of the increased costs associated with sourcing raw materials and the need to keep costs to a minimum in order to remain competitive.

#### 14.2.5 Supply Chain Relationships

##### *Benefits of Building Long-Lasting & Strong Linkages with Supply Chains*

Generally, firms recognised the potential benefits of building long-lasting and strong linkages with other companies in supply chains. While the specific benefits reported varied to some extent, it is possible to identify a number of universally recognised benefits, which can be broadly categorised as either:

- hard financial benefits; or
- soft, indirect benefits.

These are explored in more detail below.

##### Hard financial benefits

When considering strong relationships with their suppliers or customers, firms described a number of commercial benefits. Firstly, they noted that longer standing relationships can lead to a recognition of loyalty from their suppliers. This can in turn deliver lower prices (either for higher volume purchases or because suppliers are more willing to offer special one-off prices and negotiate with loyal customers).

*“We have been working with one particular supplier for over twenty years. It is a great relationship. It’s mutually beneficial. We get discounts and they are flexible to work with.”* (UK-owned)

Firms also described direct financial benefits associated with building strong and lasting relationships with customers. The most common and basic of these was the ability to secure more business. There was agreement that by simply demonstrating a level of interest and offering a degree of flexibility and a willingness to add value, customers were more likely return, increase the scale and scope of orders/projects and recommend the firm to others.

Beyond these direct benefits of increased sales and better prices, firms explained that strong relationships with customers or suppliers enabled them to negotiate more favourable payment or delivery terms. Many described a degree of interdependency between themselves and others in the supply chain, whereby they realised that if they treated others well (demonstrating a willingness to be flexible and helpful) they would be able to 'call in the favour' in return at some point in the future.

*"You build up trust and good will. The suppliers we know well will help us out if we have stock issues by really pulling out all the stops on a delivery. Or they might be willing to wait for payment on larger orders."* (Foreign-owned)

Some firms also noted that they were able to strike exclusive deals with suppliers or customers once they had built a level of trust and mutual respect. They explained that they were able to negotiate because they had proved themselves to be strong and commercially suitable through their on-going relationships.

Firms report these financial benefits when dealing with both domestic and international customers. However, some noted that exporting has widened their customer base and led to even greater increases in sales due to repeat orders and recommendation than would have been the case had they only been selling to the UK market.

#### Soft or indirect benefits

Firms also described benefits associated with building strong and lasting relationships which were less tangible and measureable. These 'softer' benefits often contributed indirectly to increased sales, better prices or more suitable purchased inputs. However, they were also considered important in themselves as a means of facilitating more successful and efficient trading overall.

A number of firms welcomed the ability to work in partnership with either their suppliers or customers. They explained that by cooperating on the development of new products and services they were able to approach bigger clients or clients in new or previously un-tapped sectors. Some firms explained that they formed formal partnerships with their direct customers to develop service or product 'packages' for customers further down the supply chain. In these instances, both partnering firms benefited from an ability to service customers they would otherwise have been unable to.

*"We work in close partnership with our customers, to the point where we are pretty much their public face. We would not be able to work directly with the kinds of brands they work with, and without us, they would not be able to either."* (UK-owned)

Firms often explained that working in partnership was reliant on them gaining a better understanding of their suppliers' capabilities and their customers' needs and requirements (and those of *their customers' customers*). Even those who did not report true partnership working appreciated that closer relationships enabled them to gain greater understanding and therefore adapt their own offer accordingly.

At the simplest level, greater understanding of customers' needs and the existing services provided was said to enable firms to deliver consistently against expectations and avoid disappointing their customers. Gaining useful feedback and insight into needs was considered an important basic requirement of relationship building.

*"We take time to visit customers and call them as much as possible. It is vital that we understand what they need so that we can develop new products to suit them."* (UK-owned)

Firms also described how gaining a better understanding of their customer's needs enables them to develop or introduce new products/ services or variations on existing ones. This clearly has potential to deliver financial benefits which go beyond increasing sales to the customer in question. Some firms explained that they had developed new services or products which had enhanced their overall portfolio and increased sales in general.

When specifically considering international customers and suppliers, firms explained that building strong relationships enabled them to gain an understanding of potentially new and different needs and requirements, some of which may challenge their existing approach to production or service delivery. Some noted that exposure to new overseas customers has helped them improve their offerings as a result.

Firms also noted that stronger relationships enabled them to gain a better understanding of their suppliers' capabilities and the scope of their offers. Some explained that by understanding what their suppliers were developing and the potential benefits of this, they were able to consider new solutions to their own clients' needs or new applications which may open up opportunities in new markets or sectors.

*"We are always looking to understand what new formulations of materials they are developing. We can then find applications for them, by our own understanding of our customers and the wider market."* (UK-owned)

As well as gaining knowledge about their own specific customers or suppliers, firms also noted that building stronger relationships with others in the supply chain can increase and improve their understanding of the sector as a whole, and of particular overseas markets. One firm of consultants who work in close collaboration with clients explained how each new project provided them with new information and experience in their chosen sectors of expertise. This in turn enabled them to talk with greater credibility and confidence to prospective clients in the same sector.

*"We don't undermine client confidentiality, but each project gives us more of an understanding of the relevant sector. That is always useful when talking to new clients. It helps us have intelligent conversations."* (UK-owned)

Other firms explained that by visiting customers and/or suppliers in overseas markets, they were able to experience first-hand the market conditions, factors driving decision-making and in one case different approaches to working. One firm (smaller, UK-owned) described being introduced to an alternative distribution model when visiting an overseas customer and discussing new opportunities. They adopted this approach themselves to positive effect, both in terms of enabling them to work with new customers in the market, and the profitability of their activity.

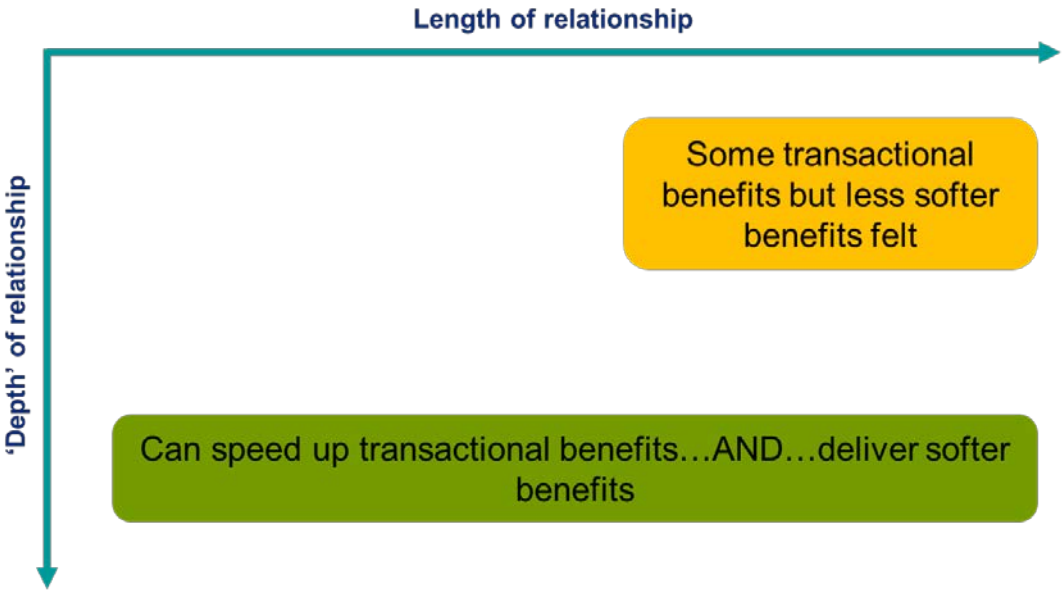
Realising benefits

Relationships within the supply chain can be considered in terms of their length and 'depth'. Firms described building up relationships over time, often due to habit or a sense of loyalty to a particular supplier. They also described a reliance on certain suppliers whom they trusted to deliver on quality and service. Firms agreed that building long term relationships often resulted in commercial and functional benefits for themselves and the suppliers/customers in question (e.g. stability of prices, flexibility and speed of delivery).

However, as illustrated in the figure below, dealing with a supplier or customer for many years may not always indicate a deep or rich relationship. Highly transactional long term relationships are not uncommon, and do not yield the same 'softer' benefits as deeper relationships which involve closer personal relationships between individuals such as face-to-face visits, regular telephone conversations and formal/informal partnering on projects or in general.

Relationships which are both long-term and deeper are likely to deliver the most benefits to firms. In general, it is also likely that the longer relationships go on, the deeper they become. However, by forging deep relationships quickly, the softer benefits identified above can be realised sooner.

Figure 14.2.5.1 The Benefits of Longer & Deeper Relationships



## *Barriers to Building Long-Lasting & Strong Linkages with Supply Chains*

Firms' ability and desire to recognise the benefits set out above vary, especially when considering international supply chains. Some firms feel more able to build relationships than other (often smaller) firms. The main barriers to building deep relationships with supply chain partners were described as follows:

- Lack of resources: Some firms explained that they did not have the personnel or the spare cash to send their staff to visit their customers or suppliers as often as they would like to. This barrier exists in relation to both the domestic and overseas markets, but is clearly more pronounced in relation to the latter. The capital costs associated with overseas travel are more pronounced than travel within the UK, and staff are required to be out of the office and diverted from their core activities for even longer. Smaller firms are often not able to employ staff with a specific remit to visit customers or suppliers.
- Language barriers: While the physical barriers associated with visiting partners face-to-face can be overcome to some extent through use of audio and visual conferencing technology, firms noted that forging deep and nuanced relationships with overseas suppliers and customers can also be impeded by language and cultural barriers. Some explained that they had much stronger relationships with UK partners because they were simply able to better relate to the individuals involved and build strong personal connections.

*"We would like to have strong relationships with overseas suppliers, but it just isn't as easy. You can't quite speak to them in the same way."* (UK-owned)

- Attitudes of partners / potential suppliers: One firm explained that their overseas suppliers (notably in China) tended to adopt a more 'hard-edged' and transactional attitude to doing business than their UK counterparts. They explained that the overseas supplier was highly focused on increasing sales and pursued this quite aggressively, with less time spent understanding needs, discussing quality or negotiating on terms.

*"The Chinese are pretty cut-throat really."* (UK-owned)

- Constraints of parent company: One foreign-owned firm explained that they were forbidden by their parent company from working closely with any other suppliers. They felt that this prevented them from gaining not only additional sales by meeting their potential customers' needs, but also a deeper understanding of the market and competitive landscape in general.

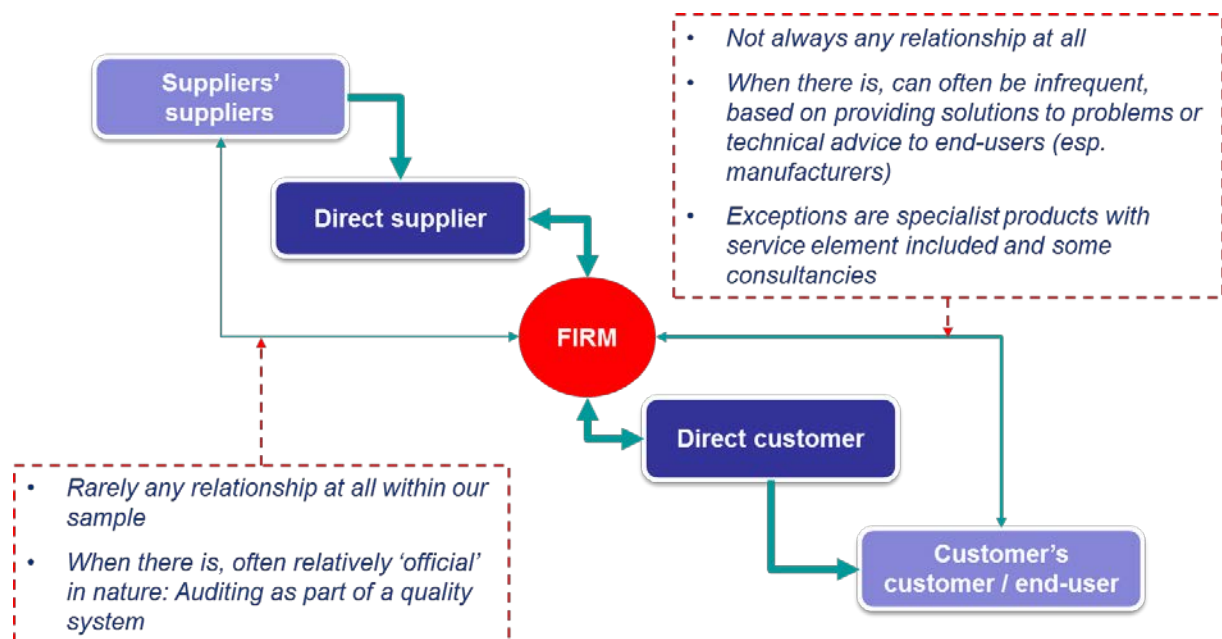
As well as barriers which prevent deep relationships forming, some firms did not feel it appropriate or necessary to build such relationships due to the nature of their business. This variation in perceived need is most stark in relation to firms' attitude towards building relationships with suppliers, rather than customers. Some firms explained that they felt it was the responsibility of suppliers to engage with them and, if they did not do so, run the risk of losing their business. Others simply felt that they had nothing to gain from increasing the frequency or intensity of contact with suppliers as they were confident that they were already getting the best possible service and terms.

*“It just isn’t really necessary. We are not going to really get much from it. There is plenty of competition out there. If we want a better price, we can find one.” (Foreign-owned)*

### *Relationships with Customers’ Customers & Suppliers’ Suppliers*

Firms are often a single link in a longer supply chain. This study sought to explore the degree to which they forged relationships with others further up and down the chain, and (where relevant) the benefits associated with doing so. The figure below illustrates that overall, linkages beyond direct customers and suppliers tend not to be as deep, strong or indeed common.

Figure 14.2.5.2 The Relative Strength of Supply Chain Relationships



### Customers’ customers

Relationships were not commonly reported with customers’ customers or ‘end-users’ within our sample. A number of firms explained that it was simply not necessary or appropriate to do so (an issue explored in more detail in subsequent sections).

Many firms explained that contact with their customers’ customers was usually infrequent and limited to dealing with end-customer complaints or technical questions which their direct customer was unable to deal with. These firms (often manufacturers) noted that they needed to be available to provide expertise when needed, but that this was not expected in a ‘business as usual’ scenario.

*“If an end client has a problem and it looks like we are the only ones who can address it, we will go and meet them or visit the site. But generally we don’t get involved.” (Foreign-owned)*

However, some service delivery firms such as consultants and technical service providers described a different scenario. They explained that forging strong relationships with their customers' customers was essential for them to be able to deliver a high quality service. In one case, the firm explained that they effectively appeared to be part of their customers' full time staff in the eyes of the end customer. Others explained that they worked in close collaboration with their direct customers to develop solutions for the end customer, and that this therefore resulted in an open approach to communication between all parties.

### Suppliers' suppliers

Strong or deep relationships with suppliers' suppliers were less common than with customers' customers within the sample. In the majority of cases, firms reported no contact at all. The reasons for this are described in the 'barriers' section below.

A minority of firms reported some interaction with their suppliers' suppliers. However, this was limited to somewhat formalised communication often in the form of official quality audits in order to comply with quality system and accreditation requirements. These interactions were sometimes described as being relatively frequent, and involved some dialogue pertaining to the continued improvement of product quality. However, the individuals involved with monitoring quality were not necessarily the same people responsible for making strategic purchase decisions, or with responsibility for owning the relationship with suppliers in an overall sense.

*"We have a really strict auditing process in place, and I know members of the quality team visit lots of firms, including the raw ingredients providers. But that is quite separate from our department, we don't get involved."* (UK-owned)

### *Benefits of Building Strong Relationships with Customers' Customers & Suppliers' Suppliers*

Those firms who had done so reported certain benefits of building long-lasting and strong linkages with either their customers' customers or their suppliers' suppliers. While the specific benefits reported varied to some extent, it is possible to identify a number of universally recognised advantages as follows:

- Even greater understanding of sector needs: Firms explained that by meeting end customers directly (especially in person at their premises) they are better able to understand the details and subtleties of their needs. They noted that their direct customers were not always completely aware of their own capabilities, or how they might be applied as solutions to the end users' challenges. By spending time with end users, they are able to observe how they operate and identify potential improvements or enhancements. At a less tangible level, firms also welcomed the opportunity to speak directly to end users in order to gain a better general understanding of trends in the market or possible areas for future development.
- Ability to provide a better service: As well as gaining insight to assist new product or service development, closer contact with end customers was also said to help firms better understand their current performance and make necessary adjustments. Again, while feedback from direct customers was described as useful, those using the (final) product or service were considered

in a better position to articulate the details and specifics of their experiences. Firms noted that by engaging directly with those who use products or services, they can improve customer perceptions and increase repeat purchase and advocacy. This benefits both themselves and their direct customers.

*“We conduct joint visits to the end customer to develop new processes and systems. It’s really useful for us.” (Foreign-owned)*

- Ability to strengthen relationships with direct, ‘core’ customers: Firms also noted that by interacting with end customers they were sometimes able to directly benefit their direct customers. For example, one manufacturing firm explained that they always tried to make contact with (potential) end users at trade shows and similar events. They described how they were able to identify potential clients and pass these on to their distributor/re-seller (even if these clients were not purchasing the firm’s own products). They noted that this increased their credibility among their clients and drove up loyalty.

*“We actively work to find new customers for our customers, or ways of increasing sales to them. It’s a great way of cementing relationships.” (Foreign-owned)*

- Ensuring quality meets expectations: As described above, the primary benefit relating to forging stronger relationships with suppliers’ suppliers was the ability to monitor and influence the quality of components or raw materials used.

### *Barriers to Building Strong Relationships with Customers’ Customers & Suppliers’ Suppliers*

While not strictly speaking a barrier, the most common reason given for not building stronger relationships with indirect suppliers and customers was a lack of perceived need. A number of firms were unable to see the benefits in doing so. They explained that within their supply chain, relationships were clearly defined and there were (often informal) procedures and protocol in place to ensure that all links in the chain provided high quality products and provided good service at the right price. They noted that firms within the chain worked hard to ensure that they represented the needs of their customers and the capabilities of their suppliers.

Firms often explained that every link in the supply chain (e.g. re-sellers, distributors, assembly plants, etc) provided a valuable service. They therefore felt it to be somewhat counter-intuitive to bypass them by going direct to the customer’s customer or the supplier’s supplier.

Some firms added that avoiding direct contact with their customers’ customers protected them from exposure to complaints or conflict which may arise as a result. They explained that dealing with issues such as teething problems with new processes, final products performing below expected standards or wholesale failure of products was expensive and time-consuming. They also noted that they were able to protect their reputation by avoiding direct association with negative experiences.

In other cases, firms accepted that forging direct relationships could potentially deliver benefits but were concerned about breaking the bond of mutual trust and respect between themselves and their direct customers or suppliers. Many firms are conscious of the need to extend a degree of courtesy to their customers and to abide by what might be described as an informal code of ethics. In these cases, firms often preferred to remain loyal to their direct partners as this enabled them to take advantage of the benefits this afforded them (i.e. better prices, terms, flexibility etc.).

*“We really wouldn’t consider going to our customers’ customers directly. You just don’t do it...it would be going behind their backs and I don’t think they’d appreciate that.” (UK-owned)*

Although slightly less common, some firms noted that they would ideally like to forge stronger relationships beyond their direct partners, but were hindered in their ability to do so by a lack of time and resources. For example, firms with a wide product range explained that forging relationships with all of their supply chains is virtually impossible. Therefore, some solely targeted suppliers and customers of their primary products and services, and did not attempt to do the same for other suppliers’ suppliers or customers’ customers.

SMEs in particular explained that they were sometimes unable to forge the kind of relationships with any of their supply chains due to these types of constraints. While they may have reasonably deep relationships with their direct customers (partly because they prioritise the required time to develop these), they were simply unable to do the same with their end-users.

One small firm described how they rarely visited their end-users in person. As a result, their understanding of their end-users’ needs were shallow and limited. They suspected that by being able to experience their processes first hand, they might be able to identify aspects which could be improved and optimised. Consequently, they would be able to increase sales, both to the specific customer in question and other, similar organisations.

*“It would be great to get in front of users...they might have a problem which we can solve but haven’t thought to ask about.” (Foreign-owned)*

## Annex A: Markets Selected

### A.1 Most Recent Market

Firms were asked to give details of the overseas market that they had entered most recently, and were then asked about their motivations for entering this market and the time taken to make a profit there (as reported in Chapter 12). The table below gives details of the most recently entered markets, shown separately for users and non-users of UKTI.

Table A.1 Most Recent Market – By UKTI Usage

Market	Total	UKTI User	Non-User
<i>Base: All exporting</i>	855	286	569
USA	8%	6%	9%
France	6%	4%	8%
Ireland (Republic)	6%	2%	8%
Germany	6%	5%	6%
Netherlands	4%	3%	4%
Australia	4%	3%	4%
Russia	3%	5%	2%
China	3%	5%	2%
UAE	3%	2%	3%
Poland	3%	4%	2%
India	3%	2%	3%
South Africa	2%	4%	2%
Turkey	2%	2%	2%
Spain	2%	2%	2%
Brazil	2%	3%	2%
Italy	2%	2%	2%
Sweden	2%	2%	2%
South Korea	2%	3%	1%
Norway	2%	2%	1%
Switzerland	1%	2%	1%
Japan	1%	1%	2%
Nigeria	1%	2%	1%
New Zealand	1%	1%	2%
Czech Republic	1%	1%	1%
Belgium	1%	1%	2%
Singapore	1%	1%	1%
Denmark	1%	1%	1%
Saudi Arabia	1%	2%	1%

Market	Total	UKTI User	Non-User
<i>Base: All exporting</i>	855	286	569
Austria	1%	0%	1%
Canada	1%	1%	1%
North America	1%	2%	1%
Kuwait	1%	1%	1%
Hong Kong	1%	1%	0%
Israel	1%	0%	1%
Malaysia	1%	1%	1%
Portugal	1%	0%	1%
Kenya	1%	0%	1%
Egypt	1%	1%	0%
Argentina	1%	1%	0%
Hungary	1%	0%	1%
Finland	1%	0%	1%
Ghana	1%	1%	1%
Mexico	1%	1%	0%
Romania	1%	1%	1%
Chile	1%	1%	0%
Slovakia	1%	0%	1%
Mainland Europe	0%	1%	0%
Thailand	0%	0%	1%
South America	0%	1%	0%
Malta	0%	0%	1%
Kazakhstan	0%	1%	0%
Tanzania	0%	1%	0%
Indonesia	0%	0%	0%
Oman	0%	0%	1%
Angola	0%	1%	0%
DR Congo	0%	1%	0%

## A.2 Most Challenging Market

Firms were also asked to identify the most challenging overseas market that they had done business in, and were then asked about the barriers they had experienced there (as reported in Chapter 13). The table below gives details of the markets selected as being the 'most challenging', shown separately for users and non-users of UKTI.

Table A.2 Most Challenging Market – By UKTI Usage

Market	Total	UKTI User	Non-User
<i>Base: All exporting</i>	855	286	569
Russia	8%	11%	6%
USA	7%	4%	8%
China	6%	11%	4%
France	6%	4%	6%
Ireland (Republic)	6%	1%	8%
India	4%	6%	3%
UAE	4%	5%	4%
Germany	4%	2%	5%
Nigeria	4%	4%	4%
Australia	3%	3%	3%
Saudi Arabia	3%	4%	2%
Brazil	3%	3%	2%
Netherlands	3%	1%	3%
Turkey	2%	2%	2%
South Africa	2%	3%	1%
Italy	2%	2%	2%
Greece	2%	1%	2%
Spain	1%	1%	1%
Poland	1%	1%	2%
Switzerland	1%	1%	1%
Japan	1%	1%	2%
Canada	1%	2%	1%
Pakistan	1%	2%	1%
New Zealand	1%	1%	1%
Denmark	1%	0%	1%

Market	Total	UKTI User	Non-User
<i>Base: All exporting</i>	855	286	569
Norway	1%	1%	1%
Sweden	1%	0%	1%
Austria	1%	0%	1%
Hungary	1%	0%	1%
Belgium	1%	0%	1%
Singapore	1%	0%	1%
Mexico	1%	0%	1%
Ukraine	1%	1%	0%
Portugal	1%	0%	1%
Mainland Europe	1%	1%	1%
Egypt	1%	1%	0%
Ghana	1%	1%	0%
Malaysia	1%	1%	0%
Iran	1%	0%	1%
South America	1%	2%	0%
South Korea	1%	1%	0%
Morocco	1%	0%	1%
Israel	1%	0%	1%
Bangladesh	0%	1%	0%
Hong Kong	0%	1%	0%
Qatar	0%	0%	1%
Iraq	0%	0%	1%
Angola	0%	1%	0%
Venezuela	0%	1%	0%
Afghanistan	0%	1%	0%

**Annex B: Questionnaire**

**OMB RESEARCH LIMITED**  
**UKTI – International Business Strategies, Barriers & Awareness Survey 2013**  
**Questionnaire**  
**February-April 2013**

**QUOTAS (900 INTERVIEWS):**

- 200 interviews with firms 0-5 years old
- 200 interviews with firms 6-10 years old
- 500 interviews with firms more than 10 years old
- *All quotas to run from questionnaire (S7)*
- Plus boost of additional 50 interviews with 250+ employee firms (no age quota)

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**INTRO**

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**ASK ALL**

**Could I please speak to either the owner or someone responsible for your firm's strategy in relation to overseas business?**

**Good morning/afternoon, my name is ... and I am calling on behalf of OMB Research, an independent market research agency. We have been commissioned by UK Trade & Investment and the Department for Business, Innovation & Skills (BIS) to conduct a survey of businesses on the topic of doing business overseas.**

**IF NECESSARY We are interested in talking to firms who are either involved in any form of overseas business activity or who are seriously considering doing business overseas in the next year. This overseas business activity could include selling directly to customers based overseas, selling overseas through agents or distributors, licensing, franchising or joint venturing overseas, or operating your own overseas office or site.**

**INTERVIEWER NOTE - YOU MAY TAKE REFERRALS TO ANOTHER SITE WITHIN THE UK.**

**INTERVIEWER NOTE – IF FIRM IS NOT CURRENTLY DOING BUSINESS OVERSEAS, BUT PLANNING DOING SO WITHIN THE NEXT YEAR CONTINUE WITH THE INTERVIEW ON THIS BASIS**

**READ OUT TO ALL**

**This research will cover areas such as your current and planned overseas activities, including the way you go about doing business overseas and any issues you may have faced. It will take around 15-20 minutes, depending on your answers. It doesn't matter how much or how little overseas business you do – we're interested in speaking to a range of firms about their experiences.**

**AS NECESSARY: UKTI is responsible for helping UK firms do business overseas. They want to find out more about how firms are going about overseas business and any difficulties they have. This will help UKTI develop the type of help they offer to UK firms.**

**AS NECESSARY: We are able to offer all businesses taking part in this research an electronic link to a summary report of the research findings (which will be available later this year)**

**Is it convenient to speak to you now or would you prefer to make an appointment for another time?**

ADD IF NECESSARY

- **The research is being conducted under the Code of Practice of the Market Research Society, which means that all of the answers you give are strictly confidential and anonymous. Participation in this survey is voluntary.**
- **The responses of all organisations taking part will be combined into a statistical report**
- **Your organisation was selected at random from a list of UK businesses held by a commercial list broker**
- **If you wish to check that OMB Research is a bona fide market research agency, you can contact the Market Research Society on 0500 396999, or call James Murray at OMB Research on 01732 220582 or Heather Booth di Giovanni at UK Trade & Investment on 020 7215 4989.**

OFFER EMAIL/FAX REASSURANCE IF NECESSARY

ASK ALL

**S1 – Can I confirm that you are one of the people best qualified to talk about your company’s overseas business activity?**

INTERVIEWER NOTE: IF KNOW ALREADY THAT YOU ARE SPEAKING TO THE CORRECT PERSON THEN CODE YES AUTOMATICALLY

REFERRALS CAN BE TAKEN TO ANY UK SITE WHEN THE CONTACT FEELS THAT THERE IS SOMEONE WITHIN THE COMPANY BETTER PLACED TO ANSWER QUESTIONS ON THE TOPIC AREAS OUTLINED

- |                                                |   |
|------------------------------------------------|---|
| Yes .....                                      | 1 |
| No – take referral and being transferred ..... | 2 |
| No – take referral and arrange call back ..... | 3 |
| No – refused referral .....                    | 4 |

CATI TO INSERT TIME MARKER

ASK ALL

**S11 – And can I confirm that your organisation is a business rather than a trade association or public sector body? READ OUT. SINGLE CODE**

- |                                                                                       |           |
|---------------------------------------------------------------------------------------|-----------|
| A business.....                                                                       | 1         |
| A trade association.....                                                              | 2 – CLOSE |
| A public sector organisation such as a Government department, local council, etc..... | 3 – CLOSE |
| Other (SPECIFY).....                                                                  | 4         |
| (Don't know) .....                                                                    | 5         |

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OVERSEAS BUSINESS ACTIVITY

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ASK ALL

**S2a – Which of the following overseas business activities has your firm been involved in, over the last 5 years? READ OUT – MULTICODE ALLOWED – DO NOT RANDOMISE**

AS NECESSARY: Please **only** include overseas sites if you have some responsibility or control over them from the UK. Do **not** include sites or companies operated by your parent company or other group companies.

- Selling directly to overseas customers ..... 1
- Selling to overseas customers through agents or distributors..... 2
- Licensing or franchising overseas, or other contractual arrangements such as joint ventures ..... 3
- Operating your own overseas site or office ..... 4
- (None of these)..... 5
- (Don't know) ..... 6 – CLOSE

IF NONE AT S2a (CODE 5)

**S2b – Are you seriously considering starting to conduct overseas business via any of these routes in the NEXT YEAR?**

- Yes ..... 1
- No..... 2 - CLOSE
- (Don't know) ..... 3 - CLOSE

IF JUST CONSIDERING OVERSEAS BUSINESS (CODE 1 AT S2b)

**S2c – Which of the following overseas business activities are you planning to become involved in, in the next year? READ OUT – MULTICODE ALLOWED – DO NOT RANDOMISE**

- Selling directly to overseas customers ..... 1
- Selling to overseas customers through agents or distributors..... 2
- Licensing or franchising overseas, or other contractual arrangements such as joint ventures ..... 3
- Operating your own overseas site or office ..... 4
- (None of these)..... 5 – CLOSE
- (Don't know) ..... 6 – CLOSE

ASK IF EXPORT (CODES 1-4 AT S2a)

**S10a – And do you make any sales directly through your website when doing business overseas?**

AS NECESSARY: **By this I mean sales where the customer places an order on your website and you don't have any other direct contact with them other than sending email confirmation, etc.**

- Yes ..... 1
- No..... 2
- (Don't know) ..... 3

IF SELL THROUGH WEBSITE (CODE 1 AT S10a) & ONLY SELL DIRECT (CODE 1 AT S2a & NOT CODES 2-5 AT S2a)

**S10b – And do you only sell to overseas customers directly through your website, or do you sometimes get orders in other ways (e.g. over the phone, face to face, responding to tenders, etc)?**

- Only sell through the website ..... 1  
 Use other ways as well..... 2  
 (Don't know) ..... 3

IF HAVE OVERSEAS SITE (CODE 4 AT S2a)

**S5b – How many overseas sites do you have? READ OUT**

- One..... 1  
 2-5 ..... 2  
 6-10 ..... 3  
 11-20 ..... 4  
 21-50 ..... 5  
 More than 50 ..... 6  
 (Don't know) ..... 7  
 (Refused)..... 8

OVERALL FILTER FOR S5c: IF HAVE OR PLANNING OVERSEAS SITE (CODE 4 AT S2a OR CODE 4 AT S2c)

IF HAVE JUST ONE OVERSEAS SITE (CODE 1 AT S5b)

**S5c –Would you say that the MAIN purpose of this site is...? READ OUT – AIM FOR SINGLE CODE BUT MULTI ALLOWED**

IF HAVE MORE THAN ONE OVERSEAS SITE (CODES 2-8 AT S5b)

**S5c – Thinking about all of your overseas sites, do any of these have the following purposes? READ OUT – CODE ALL THAT APPLY**

IF PLANNING OVERSEAS SITE (CODE 4 AT S2c)

**S5c – < IF CODE 4 AT S2c & CODES 1, 2 OR 3 ALSO MENTIONED AT S2c You mentioned operating your own overseas office or site. > Would you say that the MAIN purpose of this site will be...? READ OUT – AIM FOR SINGLE CODE BUT MULTI ALLOWED**

- Manufacturing or assembly ..... 1  
 Call centre ..... 3  
 Distribution or sales office ..... 4  
 Service delivery ..... 6  
 Research, product or process development.... 7  
 (Don't know/None of these)..... 8 – CLOSE IF ONLY CODE 4 AT S2a/S2c ((S2a=4 & S2a=Not 1, 2 OR 3) OR (S2a=5 & S2c=4 & S2c=Not 1, 2 or 3))

IF ONLY INTERNATIONALISATION MODE IS OVERSEAS MANUFACTURING/  
CALL CENTRE/ R&D SITE ((S2a=4) & (S2a=NOT 1, 2 OR 3) & (S5c=1, 3 OR 7) &  
(S5c=NOT 4 OR 6))

**A5a – Can I just check, have you made any sales at all to customers in overseas countries in the last year?**

Yes .....1  
No.....2  
(Don't know) .....3

ASK ALL

**S6a – Moving on, have you bought any goods or services from overseas suppliers over the last 5 years?**

AS NECESSARY

- **This includes having goods manufactured for you overseas.**
- **If you import into the UK from other companies in your group <IF S5c=1, 3 or 7: or from your own overseas site(s)>, then still answer 'yes'.**

Yes .....1  
No.....2  
(Don't know) .....3

IF CODE 1 AT S6a

**From now on, when I'm asking questions about your overseas business activity please DO NOT include importing <IF S5c=1, 3 OR 7 , other than through your own overseas site(s)>**

ASK ALL

**S7 – How long ago was your business established in the UK? READ OUT AS NECESSARY**

**AS NECESSARY: This means when the business in its current form started trading**

**AS NECESSARY: If the business is a subsidiary this refers to the subsidiary in which you work**

Within the last year .....1  
Over 1, up to 2 years ago.....2  
Over 2, up to 3 years ago.....3  
Over 3, up to 4 years ago.....4  
Over 4, up to 5 years ago.....5  
Over 5, up to 10 years ago.....6  
Over 10, up to 20 years ago.....7  
Over 20 years ago.....8  
(Not yet trading).....9  
(Don't know) .....10 - CLOSE  
(Refused).....11 – CLOSE

ASK IF ESTABLISHED 1-2 YEARS (CODES 1-2 AT S7)**S7b – Can I just check, has your business actually started trading yet?**

- Yes ..... 1  
 No ..... 2  
 (Don't know) ..... 3

ASK ALL**H1b – Is the business UK or foreign-owned?**

- UK-owned..... 1  
 Foreign-owned ..... 2  
 (Joint UK and foreign-owned)..... 3  
 (Don't know) ..... 4

READ OUT IF FOREIGN OWNED (CODES 2-3 AT H1b)

**For the rest of this interview, please just answer about the firm where you work, and not your parent company or any other group companies. So when I ask about your overseas business, please just focus on the overseas activities of your UK firm.**

ASK IF CODES 1-4 AT S2a UNLESS NOT YET TRADING OR ESTABLISHED <1 YEAR (CODES 1 OR 9 AT S7 OR CODE 2 AT S7b)

**A4 – And how long ago did your company start conducting business overseas? READ OUT AS NECESSARY. CATI TO ONLY SHOW FEASIBLE CODES BASED ON ANSWER TO S7**

IF IMPORTER (CODE 1 AT S6a & A5a IS NOT 2-3)

AS NECESSARY: **By this I mean when did you start selling overseas, so please do not include importing.**

IF FOREIGN OWNED (CODES 2-3 AT H1b):

AS NECESSARY: **Please just focus on your UK firm, not your parent company**

INTERVIEWER NOTE: IF RESPONDENT SAYS THEY'VE NOT YET STARTED DOING BUSINESS OVERSEAS THEN YOU NEED TO GO BACK TO S2a AND CHANGE TO 'NONE OF THESE' & THEN ASK S2b & S2c

- Within the last year ..... 1  
 Over 1, up to 2 years ago ..... 2  
 Over 2, up to 3 years ago ..... 3  
 Over 3, up to 4 years ago ..... 4  
 Over 4, up to 5 years ago ..... 5  
 Over 5, up to 10 years ago ..... 6  
 Over 10, up to 20 years ago ..... 7  
 Over 20 years ago ..... 8  
 (Don't know) ..... 10  
 (Refused) ..... 11

ASK IF EXPORTING MORE THAN 2 YEARS (A4=3-11) UNLESS CODES 2-3 AT A5a

**A15 – <IF A4=3-4 Since this time / IF A4=5-11 In the last 5 years>, have you had overseas sales every year or have there been some years where you haven't made any sales at all to overseas customers?**

Overseas sales every year .....	1
Some years with no overseas sales .....	2
(Don't know) .....	3

ASK IF EXPORTING (CODES 1-4 AT S2a) BUT DO NOT ASK IF CODES 2-3 AT A5a OR CODE 9 AT S7 OR CODE 2 AT S7b)

**A5c – In the last financial year, approximately what percentage of your turnover was accounted for by overseas sales?**

READ OUT AS NECESSARY

IF CODE 4 AT S2a

AS NECESSARY: **Please include sales made by the overseas sites or subsidiaries that you control from the UK.**

IF CODE 3 AT S2a

AS NECESSARY: **Please include any fees received from overseas licensing or franchising deals.**

IF FOREIGN OWNED (CODES 2-3 AT H1b):

AS NECESSARY: **Please just focus on your UK firm, not your parent company**

Up to 5% .....	1
6 - 10% .....	2
11 - 15% .....	3
16 – 25% .....	4
26 – 50% .....	5
51 – 75% .....	6
More than 75% .....	7
(No overseas sales in last year) .....	10
(Don't know) .....	8
(Refused).....	9

ASK IF EXPORTING (CODES 1-4 AT S2a)

**A5d – In 3 years time, do you think that the percentage of your turnover accounted for by overseas sales will be higher than it is now, lower or about the same?**

Higher .....	1
Lower.....	2
About the same .....	3
(Don't know) .....	4
(Refused).....	5

ASK IF EXPORTING (CODES 1-4 AT S2a)

**G5 – Which of the following regions of the world have you done business in <IF CODES 5-8 AT S7 over the last 5 years / IF CODES 1-4 OR 9 since you were established>? READ OUT. CODE ALL THAT APPLY**

IF IMPORTER (CODE 1 AT S6a & A5a IS NOT 2-3):

AS NECESSARY: **Please do NOT include countries that you have only imported from**

IF FOREIGN OWNED (CODES 2-3 AT H1b):

AS NECESSARY: **Please just answer about the areas where your UK firm is doing business, but don't include the activity of your parent company or any other group companies**

Europe (other than the UK) .....	1
North America .....	3
South America or Latin America.....	4
The Middle East or Africa .....	6
Asia Pacific (including Australia, New Zealand, etc) .....	7
(Don't know) .....	9

ASK IF CODES 1-4 AT S2a

**A1b – How many overseas countries have you done business in < IF CODES 5-8 AT S7 over the last 5 years / IF CODES 1-4 OR 9 since you were established >? READ OUT**

IF IMPORTER (CODE 1 AT S6a & A5a IS NOT 2-3):

AS NECESSARY: **Please do NOT include countries that you have only imported from**

One.....	2
2-5 .....	3
6-10 .....	4
11-20 .....	5
21-50 .....	6
More than 50 .....	7
(Don't know) .....	8
(Refused).....	9

IF CODE 2 AT A1b

**A2 – Which country was this? WRITE IN**

CATI TO SHOW LIST OF MOST COMMON MARKETS, PLUS:

Other (SPECIFY).....  
(Don't know) - CLOSE

ASK IF CURRENTLY EXPORTING (S2a=1-4)

**G7 – Over the next 3 years do you expect the number of countries in which you do business to increase, decrease or stay the same?**

Increase.....	1
Decrease .....	2
Stay the same .....	3
(Don't know) .....	4

READ OUT TO ALL

I'm now going to ask you about the extent to which you see there being opportunities for YOUR FIRM in some of the world's fast growing and emerging economies over the next 2 years.

ASK ALL

**G1 – For each of these countries please could you tell me whether you are already doing business there, you are very likely to, you are quite likely to, or you are unlikely to do business there in the next 2 years.**

IF IMPORTER (CODE 1 AT S6a)

AS NECESSARY: I'm interested in the likelihood of you selling to these countries, so please do not answer in relation to imports.

So firstly... RANDOMISE ORDER OF A-I

- a) Russia
- b) Turkey
- c) South Africa
- d) The United Arab Emirates
- j) Saudi Arabia
- f) Brazil
- g) Mexico
- h) China
- i) India

AS NECESSARY Are you...?

Already doing business there .....	1
Very likely .....	2
Quite likely .....	3
Or, unlikely to do business there in the next 2 years.....	4
(Don't know) .....	5

HIGH GROWTH MARKET ALLOCATION:

- APPLIES TO ANY FIRMS UNLIKELY TO DO BUSINESS IN ONE OR MORE HIGH GROWTH MARKETS (CODE 1 AT ANY OF G1a-i)
- FIRMS TO BE ALLOCATED ONE OF THE MARKETS THEY ARE UNLIKELY TO ENTER AT G1 (I.E. CODE 4) AT RANDOM

ASK IF 'UNLIKELY' (CODE 4) AT ANY OF G1a-i

**G11 – You indicated that you are unlikely to do business in <INSERT SELECTED MARKET> in the next two years. Is this mainly because...? READ OUT. SINGLE CODE**

There is little or no demand for your products or services there ....	1
Or for some other reason? .....	2
(Don't know) .....	3

CATI TO INSERT TIME MARKER

---

OVERSEAS STRATEGY, GROWTH & INNOVATION

---

ASK ALL

**A17a – Moving on, is there anyone in the senior management team of your company who had significant experience of doing business overseas before they joined your firm?**

- Yes ..... 1  
 No.....2  
 (Don't know) .....3

ASK ALL

**A21 – Would you say that your senior management team has a clear strategy for developing your firm's overseas business?**

- Yes ..... 1  
 No.....3  
 (Don't know) .....4  
 (Not aiming to develop our overseas business) .....5

IF DOING BUSINESS IN MORE THAN ONE MARKET (A1b=3-9)

**A22 – Which overseas country have you started doing business in most recently? RECORD ONE COUNTRY ONLY – DO NOT ALLOW 'DON'T KNOW'**

IF NOT SURE ASK RESPONDENT TO JUST CHOOSE ONE OF THE COUNTRIES THAT THEY DO BUSINESS IN (E.G. THE ONE THEY KNOW MOST ABOUT)

CATI TO SHOW LIST OF MOST COMMON MARKETS, PLUS:  
 Other (SPECIFY).....

MOST RECENT MARKET TEXT SUB

- IF A1b=3-9 INSERT MARKET FROM A22
- IF A1b=2 INSERT MARKET FROM A2

ASK IF CURRENTLY EXPORTING (S2a=1-4)

**A23 – When you first considered doing business in <MOST RECENT MARKET>, was this mainly prompted by an enquiry from a potential customer or because you'd identified that there may be opportunities for your business there or because you already had contacts there? SINGLE CODE**

INTERVIEWER NOTE: If the respondent mentions more than one of these reasons then probe for which of these was the main reason

INTERVIEWER NOTE: Sales through the firm's website would count as 'enquiries from customers'

- Enquiry from customer ..... 1  
 Identified that may be opportunities .....2  
 Already had contacts there.....3  
 (Don't know/Can't remember) .....4

ASK IF CURRENTLY EXPORTING (S2a=1-4)

**A30a – Taking account of your costs and any other investment you had to make to start doing business there, have you made a profit from doing business in < MOST RECENT MARKET > yet?**

Yes .....	1
No.....	2
(Don't know) .....	3
(Refused).....	4

ASK IF MADE PROFIT (A30a=1)

**A30b – Roughly how long did it take from when you started trying to develop your business in < MOST RECENT MARKET > to actually make a profit? READ OUT AS NECESSARY. SINGLE CODE**

INTERVIEWER NOTE: If the respondent was just reacting to orders/enquiries from customers in <MOST RECENT MARKET>, then just ask how long it took from receiving the first order/enquiry to making a profit.

Immediate.....	1
Within 6 months.....	2
7-12 months .....	5
1-2 years .....	6
2-3 years .....	7
Longer .....	8
(Don't know) .....	9
(Refused).....	10

ASK IF NOT YET MADE PROFIT (A30a=2)

**A30c – In total, how long do you think it will take from starting to try and develop your business in < MOST RECENT MARKET > to actually making a profit there? READ OUT AS NECESSARY. SINGLE CODE**

Immediate.....	1
Within 6 months.....	2
7-12 months .....	5
1-2 years .....	6
2-3 years .....	7
Longer .....	8
(Not expecting to make a profit there) .....	9
(Don't know) .....	10
(Refused).....	11

ASK IF BUSINESS OVER 1 YEAR OLD (CODES 2-8 AT S7)

**H11a – Now thinking about your business as a whole, <IF S7=6-8 in the last five years / IF S7=2-5 since it was established> would you say that it has...? READ OUT. SINGLE CODE**

**AS NECESSARY: This is just your overall impression of the growth of the business taking account of factors like size, number of employees, turnover, etc.**

- Remained the same size ..... 1
- Become smaller..... 2
- Grown moderately ..... 3
- Grown substantially ..... 4
- (Don't know) ..... 5
- (Refused)..... 6

ASK ALL

**H10 – <IF S7=1 OR 9 Now / IF S7=2-8 Still> thinking about your business as a whole, what growth objectives do you have for the business over the next five years? Do you plan to...? READ OUT**

- Remain the same size ..... 1
- Become smaller..... 2
- Grow moderately ..... 3
- Grow substantially ..... 4
- (Don't know) ..... 5
- (Refused)..... 6

ASK IF PLANNING TO GROW OR TO REMAIN SAME (CODES 1, 3 OR 4 AT H10)

**A26 – Would you say that your senior management team has a clear strategy for how your firm will <IF H10=3-4 achieve its growth objectives / IF H10=1 maintain its current sales levels>?**

- Yes ..... 1
- No..... 3
- (Don't know) ..... 4

ASK IF PLANNING TO GROW (CODES 3-4 AT H10)

**A27a – You mentioned that you are planning to grow over the next 5 years. Do you expect this growth to mainly come from...? READ OUT. SINGLE CODE.**

- Entering new overseas countries ..... 1
- Or, increasing sales to countries where you are already doing business . 2
- (Both)..... 3
- (Don't know) ..... 4

ASK IF PLANNING TO GROW (CODES 3-4 AT H10)

**A27b – And do you expect this growth to mainly come from...? READ OUT. SINGLE CODE.**

- Selling to new customers ..... 1
- Or, increasing sales to your existing customers ..... 2
- (Both)..... 3
- (Don't know) ..... 4

ASK IF PLANNING TO GROW (CODES 3-4 AT H10)

**A27c – And do you expect this growth to mainly come from...? READ OUT. SINGLE CODE.**

- Introducing new products or services ..... 1
- Or, increasing sales of your existing products or services ..... 2
- (Both)..... 3
- (Don't know) ..... 4

ASK IF PLANNING TO STAY SAME SIZE (CODE 1 AT H10)

**A28a – You mentioned that you expect your business to remain the same size over the next 5 years. To help maintain your current sales levels, will you be mainly focussing on...? READ OUT. SINGLE CODE.**

- Entering new overseas countries ..... 1
- Or, selling to countries where you are already doing business ..... 2
- (Both)..... 3
- (Don't know) ..... 4

ASK IF PLANNING TO STAY SAME SIZE (CODE 1 AT H10)

**A28b – And will you be mainly focussing on...? READ OUT. SINGLE CODE.**

- Selling to new customers ..... 1
- Or, selling to existing customers ..... 2
- (Both)..... 3
- (Don't know) ..... 4

ASK IF PLANNING TO STAY SAME SIZE (CODE 1 AT H10)

**A28c – And will you be mainly focussing on...? READ OUT. SINGLE CODE.**

- Introducing new products or services ..... 1
- Or, selling your existing products or services ..... 2
- (Both)..... 3
- (Don't know) ..... 4

ASK ALL

**A9a – Thinking about your business overall, over the next 3 years do you think that you will...? READ OUT. SINGLE CODE.**

- Develop any new products or services..... 1
- Make changes or modifications to any of your existing products or services ..... 2
- Or do both of these..... 3
- (None of these)..... 4
- (Don't know) ..... 5

ASK IF PLANNING ANY PRODUCT/SERVICE DEVELOPMENT (CODES 1-3 AT A9a)

**A9h – And do you expect this product or service development activity to be aimed at UK customers, overseas customers or both? READ OUT. SINGLE CODE.**

- |                          |   |
|--------------------------|---|
| UK customers .....       | 1 |
| Overseas customers ..... | 2 |
| Both .....               | 3 |
| (Don't know) .....       | 4 |

IF WILL INTRODUCE OR MODIFY PRODUCTS/SERVICES (CODES 1-3 AT A9a)

**A9f – In your view, are some countries more important than others in terms of being a stimulus for your company's innovation and product or service development activity?**

AS NECESSARY: **For example, this might be because a country is at the forefront of developments in your sector, because the market has specific requirements, because you have important customers there, etc**

- |                    |   |
|--------------------|---|
| Yes .....          | 1 |
| No.....            | 2 |
| (Don't know) ..... | 3 |

IF SOME COUNTRIES MORE IMPORTANT (CODE 1 AT A9f)

**A9g – And which countries are most important to you in this respect? CODE ALL THAT APPLY**

INTERVIEWER NOTE: They don't need to be doing business in these countries, and they could include the UK.

- CATI TO SHOW LIST OF MOST COMMON MARKETS (INCLUDING THE UK), PLUS:
- |                       |  |
|-----------------------|--|
| Other (SPECIFY) ..... |  |
| (None/Don't know)     |  |

CATI TO INSERT TIME MARKER

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 OVERSEAS BUSINESS RISKS
 

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READ OUT TO ALL

**I'd like to move on to talking about the risks involved in starting to do business in new overseas countries.**

ASK ALL

**B1 – < IF CODES 5-8 AT S7 In the last 5 years / IF CODES 1-4 OR 9 Since you were established >, have you been put off from doing business in a particular country for any of the following reasons? READ OUT. CODE ALL THAT APPLY. RANDOMISE ORDER.**

**AS NECESSARY: For each one, please only answer 'yes' if you have decided not to do business in a particular country because of this risk.**

INTERVIEWER NOTE: Pause after reading each option to let the respondent say yes or no.

- The risk of not being paid in full or on time..... 1
- The risk to the safety and security of your staff..... 2
- The risks associated with political or economic instability in that country . 3
- The risk of intellectual property theft (i.e. your products or technology being copied)..... 4
- The risk of encountering bribery, corruption or organised crime ..... 5
- The risk of not seeing a return on the investment you would need to make to enter that country..... 6
- (None of these)..... 7
- (Don't know) ..... 8

ASK ALL

**B2 – Thinking about the types of risk I've just mentioned, overall how risky do you think it <IF G1a=1 & G1f=1 & G1h=1 & G1i=1 is / OTHERS would be> for your firm to do business in each of the following countries? READ OUT. ROTATE ORDER OF COUNTRIES**

- (a) Brazil
- (b) Russia
- (c) India
- (d) China
- (e) Mexico

*ON EACH OF THE B2 SCREENS (AT TOP)*

READ OUT AS NECESSARY **Would you say that doing business in this country is...?**

**AS NECESSARY: It doesn't matter if you don't have any experience of doing business in this country, I'm just interested in your perception of how risky it would be for your business.**

- Very risky..... 1
- Fairly risky ..... 2
- Not particularly risky ..... 3
- Not at all risky ..... 4
- (Don't know) ..... 5

CATI TO INSERT TIME MARKER

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BARRIERS

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IF DOING BUSINESS IN MORE THAN ONE MARKET (A1b=3-9)

**B4 – Thinking now about all the overseas countries that you have done business in < IF CODES 5-8 AT S7 over the last 5 years / IF CODES 1-4 OR 9 since you were established >, which of these was the most challenging country to do business in? RECORD ONE COUNTRY ONLY**

INTERVIEWER NOTE: This must be a country that the firm has actually done business in.

CATI TO SHOW LIST OF MOST COMMON MARKETS, PLUS:

Other (SPECIFY) .....

(None/Don't know/All equally challenging) .....

CATI TO ALLOCATE <MARKET> AS FOLLOWS:

- FROM B4: IF IN MORE THAN ONE MARKET (A1b=3-9) AND MARKET PROVIDED AT B4
- FROM A22: IF IN MORE THAN ONE MARKET (A1b=3-9) & NONE/DON'T KNOW AT B4
- FROM A2: IF ONLY IN ONE MARKET (A1b=2)

READ OUT IF CURRENTLY EXPORTING (CODES 1-4 AT S2a)

**I'd like to ask you some questions now about your experience of doing business in <MARKET> <IF A1b=3-9 & NONE/DON'T KNOW AT B4 as you indicated earlier that this is the country you've started doing business in most recently>.**

ASK IF CURRENTLY EXPORTING (CODES 1-4 AT S2a)

**C4a – Thinking back to when you decided to do business in <MARKET>, had you received an approach or enquiry from a potential customer or partner there?**

Yes ..... 1

No ..... 2

(Don't know) ..... 3

ASK IF CURRENTLY EXPORTING (CODES 1-4 AT S2a)

**C4b – And when you started doing business there, was there anyone employed by your company who already had experience of <MARKET> or contacts there?**

Yes ..... 1

No ..... 2

(Don't know) ..... 3

ASK IF CURRENTLY EXPORTING (S2a=1-4)

**E1 – I'm now going to read out a list of issues that you may have had to tackle when trying to develop your business in <MARKET>. For each one, please give me a score of 1 to 5 for the extent to which you feel that this has been a difficulty, where 1 means it has 'not been at all difficult' and 5 means it has been 'extremely difficult'. So firstly... READ OUT. ROTATE LIST BUT ALWAYS ASK B, C & D IN ORDER**

*ON EACH OF THE E1 SCREENS (AT BOTTOM)*

**AS NECESSARY To what extent has this been a difficulty in <MARKET> (where 1 means it has 'not been at all difficult' and 5 means it has been 'extremely difficult')**

INTERVIEWER NOTE: If respondent says it is not relevant or doesn't apply, then code as '1 – Not at all difficult'

- (a) Obtaining basic information about doing business in < MARKET >**
- (b) Identifying who to make contact with in the first instance or finding a suitable partner**
- (c) Establishing an initial dialogue with prospective customers or business partners in < MARKET >**
- (d) Building relationships with key influencers or decision-makers**
- (i) Customers in < MARKET > preferring to do business with firms from < MARKET > (rather than with UK firms)**
- (k) Finding the necessary management time to devote to doing business in < MARKET >**
- (r) Dealing with legal or tax regulations or standards in < MARKET >**
- (s) Negotiating the culture and language**
- (t) Protecting your intellectual property**
- (w) Ensuring you get paid and enforcing contracts**
- (x) Dealing with customs procedures or paperwork**

1 – Not at all difficult .....	1
2 .....	2
3 .....	3
4 .....	4
5 – Extremely difficult .....	5
(Don't know) .....	6

CATI TO INSERT TIME MARKER

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AWARENESS & USE OF UKTI

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READ OUT TO ALL

I'd now like to ask you some questions about sources of information or advice that are available to help UK firms do business overseas.

ASK ALL

**F2 – Prior to this interview, had you heard of...? READ OUT**

**(a) UK Trade & Investment or UKTI**

**(b) The commercial services provided by British embassies and consulates overseas**

Yes .....1  
 No.....2  
 (Don't know) .....3

IF AWARE OF UKTI (CODE 1 AT F2a)

**F3a – And has your firm actually used any of UK Trade & Investment's services?**

Yes .....1  
 No.....2  
 (Tried to but got no help) .....4  
 (Don't know) .....3

IF AWARE OF POSTS (CODE 1 AT F2b)

**F3b – And has your firm obtained any business information or advice from any British embassies or consulates overseas?**

**AS NECESSARY: It doesn't matter whether or not you had to pay for this, if you have received any information or advice then please answer yes.**

Yes .....1  
 No.....2  
 (Tried to but got no help) .....4  
 (Don't know) .....3

IF AWARE OF UKTI & NOT USED UKTI (CODES 2-4 AT F3a)

**F2c – Before today, were you aware that UK Trade & Investment provide assistance to help UK firms do business overseas?**

Yes .....1  
 No.....2  
 (Don't know) .....3

ASK ALL

**F6 – And have you ever visited the 'Open to Export' website?**

**AS NECESSARY: The Open to Export website allows UK-based companies to share information, advice and support about export market opportunities and means of entry.**

Yes .....1  
 No.....2  
 (Don't know) .....3

CATI TO INSERT TIME MARKER

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USE OF OVERSEAS SUPPLIERS

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**READ OUT IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a)**

**You mentioned earlier that your company has bought goods or services from overseas suppliers <IF S7=5-9 over the last 5 years>. I'd now like to ask a few questions about your firm's experiences as a customer of overseas businesses.**

**AS NECESSARY: It doesn't matter if this was on a very small scale, we're still interested in your views.**

**IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a)**

**J1 – Firstly, have you bought any of the following from overseas suppliers <IF S7=5-9 in the last 5 years>? READ OUT – CODE ALL THAT APPLY**

**AS NECESSARY: Please include all goods and services you have obtained from overseas, even if it was from overseas companies that are associated with you (e.g. your parent company or other group companies).**

Raw materials.....	1
Components .....	2
Finished products .....	3
Business services (such as marketing, accounts, call centre, professional advice, etc).....	4
Research & development (R&D) .....	5
(Other (SPECIFY)) .....	95
(Don't know) .....	97

**IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a)**

**J2 – And were any of these goods or services provided by a company related to your business, such as a parent company, subsidiary, sister company, etc? IF YES, PROBE FOR WHETHER ALL OR SOME. SINGLE CODE**

Yes – all obtained from related companies .....	1
Yes – some obtained from related companies .....	2
No - all obtained from unrelated companies .....	3
(Don't know) .....	4

**IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a)**

**J3 – Did you decide to use overseas suppliers for any of the following reasons...? READ OUT – CODE ALL THAT APPLY. RANDOMISE ORDER.**

Because there was no UK supplier of these products or services .....	1
To get better quality products or services .....	3
To get more competitive prices .....	5
Or for some other reason (SPECIFY) .....	95
(Don't know) .....	97

IF IMPORTED MORE THAN ONE TYPE OF GOOD/SERVICE (2 OR MORE OF CODES 1-6 SELECTED AT J1)

**J4 – And which of the goods or services that you have obtained from overseas suppliers would it be most difficult to find a suitable UK based alternative for? Would it be the...? READ OUT – SINGLE CODE**

CATI TO ONLY SHOW CODES SELECTED AT J1, PLUS THE DON'T KNOW & NONE OF THESE OPTIONS.

Raw materials.....	1
Components .....	2
Finished products .....	3
Business services (such as marketing, accounts, call centre, professional advice, etc).....	4
Research & development (R&D) .....	5
Other goods/services (CATI TO INSERT TEXT FROM J1 CODE 6)....	95
(None of these / could source a suitable UK alternative for all of them)	96
(Don't know) .....	97

IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a)

**J5 – Thinking about all of the goods and services that you buy into the business, approximately what proportion of your total purchases are made from overseas suppliers? Would you say that...? READ OUT. SINGLE CODE**

AS NECESSARY: Please answer based on the cost of these purchases.

Up to 10% of your purchases are from overseas suppliers.....	1
11-20% .....	2
21-50% .....	3
Or over 50% .....	4
(Don't know) .....	5
(Refused).....	6

IF IMPORTED IN LAST 5 YEARS (CODE 1 AT S6a)

**J6 – In the last 3 years, has the proportion of your total purchases that come from overseas suppliers increased, decreased, or stayed the same?**

AS NECESSARY: This question is asking whether the proportion of your purchases coming from overseas suppliers has changed, not whether the amount in £'s has changed.

Increased.....	1
Decreased .....	2
Or stayed about the same .....	3
(Don't know) .....	4
(Refused).....	5

IF IMPORTED GOODS/SERVICES IN LAST 5 YEARS (CODE 1 AT S6A)

**J7 – And in the next 3 years, do you expect this proportion to...? READ OUT.  
SINGLE CODE.**

**AS NECESSARY: This question is about whether the proportion of your purchases coming from overseas suppliers will change, not whether the amount in £'s will change.**

- Increase.....1
- Decrease .....2
- Or stay about the same .....3
- (Don't know) .....4
- (Refused).....5

CATI TO INSERT TIME MARKER

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 SECTION H – PROFILE
 

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READ OUT TO ALL

**Finally, I'd now like to ask you some questions about your business just to classify your answers for analysis purposes.**

ASK ALL

**H2a – How many people are currently employed by your business in the UK?**

**AS NECESSARY Please include both full and part-time staff.**

INTERVIEWER NOTE – If the respondent owns the company and does not employ anyone else, please code as zero employees.

Write in number (0+):

(Don't know) – PROMPT WITH RANGES

(Refused)

IF DON'T KNOW AT H2a

**H2b – If you had to estimate, approximately how many people are employed by your business in the UK? READ OUT AS NECESSARY**

No employees .....	1
1-4 .....	2
5-9 .....	3
10-19 .....	4
20-49 .....	5
50-99 .....	6
100-199 .....	7
200-249 .....	8
250-499 .....	9
500 or more .....	10
(Don't know) .....	11
(Refused).....	12

ASK ALL

**H3b** –< IF S7=NOT 1 & NOT 9 AND S7b=NOT 2 **Can I just ask, what is the current annual turnover of your business? / IF S7=1 OR 9 OR S7b=2 What do you anticipate will be the turnover of your business in the first year of trading?> READ OUT AS NECESSARY**

**AS NECESSARY By this I mean your annual sales, income or receipts.**

IF OVERSEAS SITE (CODE 4 AT S2a):

**AS NECESSARY: Please include sales from any overseas sites or subsidiaries that you control from the UK.**

IF FOREIGN OWNED (CODES 2-3 AT H1b):

**AS NECESSARY: Please just focus on your UK firm, not your parent company**

£0 .....	1
£100,000 or less.....	2
£100,001 - £500,000 .....	3
£500,001 - £2million.....	4
£2million - £10million.....	5
£10million - £25million.....	6
£25million - £50million.....	7
£50million - £500million.....	8
More than £500million .....	9
(Don't know) .....	10
(Refused).....	11

ASK ALL

**H22a** – < IF S7=NOT 1 & NOT 9 & S7b=NOT 2 **Is your company currently making an annual profit or loss / IF S7=1 OR 9 OR S7b=2 Do you anticipate that your company will make a profit or loss in its first year of trading >?**

IF FOREIGN OWNED (CODES 2-3 AT H1b):

**AS NECESSARY: Please just focus on your UK firm, not your parent company**

Profit .....	1
Loss.....	2
(Break even).....	3
(Don't know) .....	4
(Refused).....	5

IF PROFIT (CODE 1) AT H22a

**H22b** – **Approximately what proportion of your < IF S7=NOT 1 & NOT 9 & S7b=NOT 2 annual turnover is / IF S7=1 OR S7=9 OR S7b=2 turnover in the first year of trading do you anticipate will be > accounted for by profits?**

**AS NECESSARY By this I mean what is your profit margin?**

**AS NECESSARY Please answer in relation to pre-tax profit**

Write in (% - ALLOW ZERO)  
(Don't know)  
(Refused)

CATI TO CHECK NUMBER IS BETWEEN 0 AND 100

IF DON'T KNOW AT H22b

**H22c - If you had to estimate this proportion, into which of the following bands would you place it? READ OUT AS NECESSARY**

Zero/nothing .....	1
Up to 10%.....	2
11% – 25%.....	3
26%-50%.....	4
51%-75%.....	5
More than 75%.....	6
(Don't know) .....	7
(Refused).....	8

ASK ALL UNLESS ESTABLISHED IN LAST TWO YEARS (I.E. NOT 1-2 OR 9 AT S7 & NOT CODE 2 AT S7b)

**H7a – Have you introduced any new products or services over the last three years?**

Yes .....	1
No.....	2
(Don't know) .....	3

ASK IF YES AT H7a

**H7b - And are these new products or services... READ OUT - SINGLE CODE ADD AS NECESSARY: By completely new I mean that, to the best of your knowledge, they have not been introduced by anyone before you READ OUT – SINGLE CODE**

Just new to your business .....	1
New to your industry or sector.....	2
Or, are they completely new to the world .....	3
(Some are just new to the business and some are completely new) .....	4
(Don't know) .....	5

ASK ALL EXCEPT NO EMPLOYEES (0 AT H2A OR CODE 1 AT H2B) OR CODES 2, 3 OR 4 AT H7b

**H4a – Approximately how many of your UK employees are engaged either wholly or partly in R&D activity? READ OUT AS NECESSARY**

AS NECESSARY: **By R&D I mean 'research and development'**

Zero .....	1
One.....	2
2-4 .....	3
5-9 .....	4
10-49 .....	5
50 or more .....	6
(Don't know) .....	12
(Refused).....	13

ASK IF H4a IS CODES 3-6

**H4b – Can I just check, are any of these employees involved in activities that could be described as ‘the development of scientific or technical knowledge that is NOT commonly available’?**

- Yes ..... 1  
 No..... 2  
 (Don't know) ..... 3

ASK ALL EXCEPT NO EMPLOYEES (0 AT H2A OR CODE 1 AT H2B) OR CODES 2, 3 OR 4 AT H7b OR CODES 1-2 AT H4a

**H5 – And approximately how many of your UK employees are engaged either wholly or partly in new product or service development? READ OUT AS NECESSARY**

- Zero ..... 1  
 One..... 2  
 2-4 ..... 3  
 5-9 ..... 4  
 10-49 ..... 5  
 50 or more ..... 6  
 (Don't know) ..... 12  
 (Refused)..... 13

ASK ALL EXCEPT CODES 2, 3 OR 4 AT H7b OR (CODE 1 AT H4b & CODES 3-6 AT H5)

**H6 – In the last year have you commissioned anyone external to your business to conduct any R&D or new product or service development activity for you?**

- Yes ..... 1  
 No..... 2  
 (Don't know) ..... 3

ASK ALL

**H8b – Have you either applied for or obtained any patents, trademarks, design rights or other legal protection, either in the UK or overseas, for any of your products or services?**

- Yes ..... 1  
 No..... 2  
 (Don't know) ..... 3

IF IP PROTECTION (CODE 1 AT H8b)

**H8e – And is this...? READ OUT. CODE ALL THAT APPLY**

- Patents ..... 1  
 Trademarks ..... 2  
 Design rights ..... 3  
 Or other legal protection ..... 4  
 (Don't know) ..... 5

IF IP PROTECTION (CODE 1 AT H8b)

**H8c – And do these relate to the UK, overseas countries or both? SINGLE CODE**

**AS NECESSARY: Please include all patents, trademarks, design rights and other legal protection**

UK .....	1
Overseas .....	2
Both .....	3
(Don't know) .....	4

IF OVERSEAS PATENTS (CODE 1 AT N8e & CODES 2-3 AT H8c)

**H8d – Does your firm hold any ‘triadic patents’, by which I mean you hold a patent in the US, EU and Japan for the same product or innovation?**

INTERVIEWER NOTE: ONLY CODE YES IF SAME PATENT HELD IN ALL THREE MARKETS

Yes .....	1
No .....	2
(Don't know) .....	3
(Refused).....	4

### Analysis

#### **Innovative Firms**

- Have more than one employee engaged in R&D activity (H4a) and more than one employee engaged in new product or service development (H5)
- Or, have employed someone external to conduct new product or service development in the last year (H6)
- Or, derive at least some turnover from products & services introduced in the last 3 years (H7a) *except firms established in the last 2 years*

#### **Innovative Firms – Alternative (Tighter) Definition**

- Have more than one employee engaged in R&D activity (H4a) and more than one employee engaged in new product or service development (H5) and at least some R&D employees are engaged in the ‘development of scientific or technical knowledge that is not commonly available’ (H4b)
- Or, have employed someone external to conduct new product or service development in the last year (H6)
- Or, derive at least some turnover from products & services introduced in the last 3 years (H7a) *except firms established in the last 2 years* and these products & services are either ‘new to the world’ or ‘new to the industry/sector’ (H7b)

#### **IP Active Firms**

- Hold/have applied for patents, trademarks, design rights or other legal protection for their products/services (H8b)

ASK ALL

**H8f – Can I just check, have you ever heard of the UK government’s overseas Intellectual Property attaché network?**

**EXPLAIN AS NECESSARY: The UK Government has recently established a network of Intellectual Property attachés based in China, India, Brazil and South East Asia. This network will be used to strengthen advice and support on Intellectual Property Protection in these markets with a view to further developing trade for UK companies there.**

Yes .....1  
 No.....2  
 (Don't know) .....3

ASK ALL

**I4 – And during the last year, have you attended any business seminars, tradeshows or conferences?**

Yes .....1  
 No.....2  
 (Don't know) .....3

ASK ALL

**H9a – Moving on, do you have a current, written business plan?**

Yes .....1  
 No .....2  
 (In progress/currently writing business plan).....5  
 (Don't know) .....3  
 (Refused).....4

IF HAVE OR WRITING PLAN (CODE 1 OR 5 AT H9a)

**H9c - <IF H9a=1 Does / IF H9a=5 Will> the plan contain any targets relating to revenues from overseas sales?**

Yes .....1  
 No .....2  
 (Don't know) .....3  
 (Refused).....4

ASK ALL

**G10a – Over the last 6 months, has your business had any difficulties in obtaining finance, either from within the company or from external sources?**

**INTERVIEWER NOTE: If respondent says it is not applicable or they haven't tried to obtain finance, then code as 'no'**

Yes .....1  
 No.....2  
 (Don't know) .....3  
 (Refused).....4

IF DIFFICULTIES ACCESSING FINANCE (G10a=1)

**G10e – Have these difficulties obtaining finance had any negative impact on the scale or scope of your <IF S2b=1 planned> overseas activities? SINGLE CODE.**

Yes .....1  
 No.....3  
 (Don't know) .....4

CATI TO INSERT TIME MARKER

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 WRAP UP
 

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ASK ALL

**H14 – That's the end of the interview, thank you very much for taking part. I just need to check a few things before you go. Would you be willing to take part in any future UK Trade & Investment research on this topic?**

**AS NECESSARY If you say 'yes' you can always decline at the time if it's not convenient.**

Yes .....1  
 No .....2  
 (Don't know) .....3

ASK ALL

**H17d – Would you like us to email you some more information on the services that UKTI provide to help UK firms do business overseas? READ OUT**

**INTERVIEWER NOTE: YOU CAN OFFER THE UKTI WEBSITE AS WELL/INSTEAD (WWW.UKTI.GOV.UK)**

Yes .....1  
 No.....2  
 (Don't know) .....3

ASK ALL

**H17a - We will be producing a report of the results from this survey. Would you like us to email you an electronic link to this report when it's published? READ OUT**

**ADD AS NECESSARY The report will be available later this year.**

Yes .....1  
 No.....2  
 (Don't know) .....3

IF YES AT H17a OR H17d

**H17b - Can I take your e-mail address? AS NECESSARY: This will only be used to email you < IF YES AT H17d some information about UKTI services / IF YES AT H17d & H17a and / IF YES AT H17a a link to the report > and will not be passed on to anyone else.**

INTERVIEWER NOTE: PLEASE MAKE SURE YOU RECORD THE EMAIL ADDRESS CORRECTLY, & READ IT BACK TO THE RESPONDENT TO CHECK SPELLINGS ETC

- Yes (WRITE IN).....1
- No.....2
- (Don't know) .....3

CATI TO INSERT TIME MARKER

ASK ALL

**H15 – Finally as proof of this interview please could I just confirm your business postcode? CATI TO DISPLAY POSTCODE IF AVAILABLE – AMEND IF MISSING OR INCORRECT**

.....

ASK ALL

**H16 – And may I take a note of your name?**

.....

**STANDARD THANK & CLOSE**

**Deleted Questions (previous waves)**

- S5d, S5e, S8, S9a, S9b, S9c, A7, A8, A9b, A9c, A9d, A10, A11, A12, A17b, A18, A24, A25, A29, B1b, B1c, B3, B5, B7, B8a, B8b, B9, C1a, C1b, C1d, C4, E2, E3, E4, E5, F2j, F2k, F2l, F2m, F2n, F4a, F4b, F5, G4b, G10f, G12, H2c, H2d, H2e, H3c, H11b, H17c, H18a, H18b, H18c, H19a, H19b, H19c, H20a, H21, I1, I2h, I2i, I3b, I5