The Future of Exporting in a Digitalised Era

SME Export Report Roundtable
Introduction

The digital revolution has seen the world of exporting drastically evolve. While providing new opportunities for small and medium sized enterprises (SMEs), this revolution poses new tests. Bringing together 11 influential British business figures for an exclusive roundtable, FedEx delved deeper into the global challenges and solutions influencing today’s exporting landscape.

Ed Clarke, Managing Director, UK, Ground Operations, FedEx Express, led the roundtable and stressed the importance for businesses figures to discuss their experience and support SMEs and entrepreneurs looking to go global.

“Digitalisation has made the world more connected and accessible and is transforming the way we do business. For example, SMEs can now reach new customers and international markets with relative ease. It’s not just technology that’s impacting on exporting but also the global environment – fruitful exporting markets change constantly, while political forces influence internationalisation and market economies. In the last year alone, exporting has transformed – however SMEs should not feel they are on their own to navigate this new global landscape. We believe it’s our responsibility along with other organisations to support SMEs in making the most of their exporting journey.”
The Roundtable Panel

Ed Clarke
Managing Director, UK, Ground Operations, FedEx Express, the world’s largest express transportation company.

Rebecca Burn-Callander (Roundtable Chair)
Freelance Journalist and former Enterprise Editor and Business Club Editor for The Daily Telegraph and The Sunday Telegraph.

Aaron Newland
Director, Brontie & Co, an artisan chocolate maker, producing high quality, raw, vegan chocolate.

Oli Barratt MBE
Co-Founder of Start-Up Britain, a national campaign helping people to start a business, Tenner, the UK’s largest enterprise competition, run by Young Enterprise, and Cospa, creates and grows “social action projects”.

Anastassia Beliakova
Senior Trade Policy Manager, British Chambers of Commerce, a powerful and influential Network of Accredited Chambers of Commerce across the UK.

Nicola Swift
Managing Director, We Only Want Nice Things, a food consultancy business working with producers, retailers, restaurants and food brands.

Paul Jobin
Founder, Snugs, unrivalled quality custom moulded earphones and earplugs.

Jeffries Briginshaw
CEO of British American Business, an exclusive transatlantic business networking group for c-suite executives and SMEs in the UK and USA.

Lee Langford
Research Director, Harris Interactive Inc., a full-service, digital consultative customer market research agency.

Maeve O’Neill
Trade Development Executive, Enterprise Ireland, a Government organisation responsible for the development and growth of Irish enterprises in world markets.
Summary of Discussions

• **Digitalisation is democratising e-commerce.** Social media platforms allow businesses to promote their brand overseas targeting particular locations and demographics, while instant message platforms are starting to replace email.

• **When exporting, face-to-face contact is extremely valuable.** Building export relationships can take a long time and SMEs need to put in the time and effort to develop these. SMEs should capitalise on existing relationships – for example the Commonwealth countries’ long-standing relationship with Britain.

• **SMEs should not neglect their local market.** There is a danger that SMEs could starve their domestic consumers if they concentrate too much on overseas territories and businesses.

• **Brand Britain continues to exert a powerful global influence, particularly in terms of trust and quality.**

• **Consumers expect sustainability to be incorporated as part of a basic business.** Customers want to feel good about the companies they are purchasing from. However, depending on the product or service, customers may not be willing to pay more for it.

• **Exporting offers new opportunities for SMEs from reaching new customers to growing revenue.** Businesses should look for “soft spot” markets, which provide the most opportunities. While conducting most of your business with one country can be a dangerous move – instead SMEs should look to different markets.

“The more markets you can create, the better.”

Aaron Newland, Director, Brontie and Co
What are the Different Platforms SMEs Should be Utilising?

The digital economy encompasses three main platforms – e-commerce, m-commerce and social commerce, each providing different opportunities for SMEs to reach customers. According to the FedEx SME Export Report, European SMEs acknowledge growth in e-commerce as a result of reaching markets more easily (38%), while 55% of SMEs generate revenue from m-commerce. Social media remains an important force in the digital world, connecting businesses with their customers, and almost two-thirds (65%) of SMEs are using social media for sales purposes.¹

According to Paul Jobin, Founder of Snugs, the whole perception of retail has changed. As a result of the internet, customers started drifting away from traditional retailers, which Paul Jobin believes will soon become obsolete. It has become much easier to export and this has completely transformed businesses.

E-commerce has made it easier for anyone to start a business. Nicola Swift, Managing Director of We Only Want Nice Things, pointed out that certain websites allow businesses to build an online shop efficiently and with little expense. Indeed, Ed Clarke emphasised that several FedEx customers who set up with just £1,000 managed to grow their own successful businesses. Never before has there been an opportunity to take advantage of something with such a small investment and still reach a global market.

Looking to Generation Z, this group is not swayed by “traditional” marketing methods but rather by other media types, especially digital. Having recently been a judge for Young Enterprise, where 11 to 15-year olds run their own business for a year, Ed Clarke noticed none mentioned TV or talked about regular media streams. Instead, they discussed social media channels and making shopping experiences more enjoyable.

Despite advancements and the availability of new services, some technology doesn’t change. When exporting, businesses still need to cross borders that are administered by regulators, which can obstruct overseas opportunities, argued Jeffries Briginshaw, CEO of British American Business. Before exporting, small businesses need to make sure they can operate in a particular market or meet customs’ requirements - if not, this can be a “game-changer” and they will not be able to export to that location. Organisations, such as FedEx Express, can guide small businesses on country regulations.

¹ From the approved FedEx SME Export Report.
According to the FedEx SME Export Report, the most common business challenges include increased competition in other markets (33%) along with increased production costs (27%). These can be overcome with the right guidance.

The business language surrounding exporting is a new challenge for SMEs. According to Anastassia Beliakova, Senior Trade Policy Manager for British Chambers of Commerce, the Department for International Trade needs to start speaking to ‘accidental exporters’, businesses that fall into exporting, or those looking to expand into new markets. While campaigns, such as ‘The Great Campaign’ are helpful in raising support for the demand of British businesses, the BCC has found they sometimes do not quite ‘hit home’ with UK SMEs.

In Anastassia Beliakova’s opinion, while online platforms have proved to be invaluable in reaching customers overseas, organisations offering export support need to engage with SMEs and give them practical face-to-face advice. She mentioned the BCC is seeking for more support from the government specifically for trade fairs and missions so companies can meet their customers directly.

Access is another challenge for exporters. Oli Barratt, Co-Founder of Start-Up Britain, Tenner, and Cospa, has helped organise 11 trade missions, each involving up to 20 companies at a time. While successful – “No company to date has refused to see our mission”, this ease of access is not something that happens when you’re out on your own. Other challenges include peer-to-peer exchange and meeting like-minded people on the ground.

Rebecca, Burn-Callander, Freelance Journalist, emphasises businesses must project a long-term view rather than focus on the “deals they are getting that day”. Oli Barratt reiterates that the realistic mission is to build relationships and open doors. Businesses should be encouraged to book their next visit, and to see that as the first step on a journey, rather than as an end in itself.
Exporting always begins at home and if we got better at rolling out the red carpet for visiting businesses, we’d sow the seeds of some very fruitful relationships.

Oli Barratt
MBE, Co-Founder of Start-Up Britain, COSPA and Tenner

Not every business exports, points out Rebecca Burn-Callander – for example, the food and drink industry, which needs to balance hyper-locality and ensuring a local farm supply. With experience working for M&S’s meat buying department and quality butcher, The Ginger Pig, Nicola Swift understands the impediments of exporting fresh food.

If a business supplies a single, large UK retailer and then decides to focus on the overseas market, it may limit the availability of its products at home.

If businesses have an online channel they may become ‘accidental exporters’ when receiving unexpected international orders. For these businesses exporting is an unknown journey and it is at this point, FedEx can step in to support businesses by helping them leverage this opportunity.

We try and give people support and guidance in those early days. One story that jumps to mind is with a lady called Fiona. I happened to be in a van one day with one of our drivers to do the pick-up and we helped her to process the paperwork of her first international shipment. At the time, she hadn’t even considered shipping her products overseas, until a customer from the United States visited her website and placed an order. Within that year it had become a new revenue stream. She started in the hallway of her house and now has a warehouse. One night, I invited Fiona to a depot as we moved out 600 boxes headed to America and we watched as a whole 40 footer vehicle departed with her product. It was fabulous to be part of that journey together.

Ed Clarke, Managing Director, UK, Ground Operations, FedEx Express
What Advice Would You Give to Exporting SMEs?

It is important for businesses to share their expertise to inspire other business leaders and aspiring entrepreneurs to go global.

In Paul Jobin’s experience, market etiquette is important when exporting – namely, leaning on British heritage and showing respect to your trading partner. In some countries, such as China, it is near impossible to secure a deal immediately as a relationship needs to be built. However, once you have the deal in place you have to able to deliver. FedEx has made exporting easy for Paul Jobin – it takes away the hassle and you can track shipments all the way through.

SMEs should be laying the foundations to grow into new markets, even if such growth is not part of their immediate plan. For instance, Ed Clarke recommended that businesses recruit with this bigger picture in mind, for instance hiring people with different language skills. In addition, SMEs should always do their homework and make sure they know what support is on offer. They should utilise everything already out there and has the requisite resources, such as small business advisors and government support.

“Email is, for me, just about dead, but WhatsApp, it’s immediate so if you set up intelligent WhatsApp groups then actually they can be so useful at whatever scale or size of business.”

Nicola Swift, Managing Director, We Only Want Nice Things

“We’ve got business relationship with the customers we work with and when they have their Christmas party, they’re asking their courier and sales executives to come along because they seem them as part of the team.”

Ed Clarke, Managing Director, UK, Ground Operations, FedEx Express
What are the Next Exporting Markets?

Exporting markets are constantly evolving; so where should businesses be heading? Various acronyms have been thrown around, from BRICs to MINTs, and Rebecca Burn-Callander raises the question of whether these have disappeared or “if there are still little pockets of export priorities”.

In Ireland, there remains demand for Irish products and services globally, while exporters have been successful in diversifying their portfolios, notes Maeve O'Neill, Trade Development Executive for Enterprise Ireland. Since 2016, companies working with Enterprise Ireland exported €21.6bn with total sales of €42.4bn. While the UK remains an important trading partner with Ireland, the US is a key export market as are China, India and the Middle East. As such, Enterprise Ireland is targeting key growth markets across the Eurozone, Asia, the Americas and the Middle East.

The vote to leave the EU has posed challenges in terms of tariffs and uncertainty, highlighted Rebecca Burn-Callander. Oli Barratt identified that businesses are split into two camps regarding Brexit: the “wait and see”, and “carry on, what’s the issue”. This is hardly the first-time businesses have faced uncertainty over what the future holds – for example the financial crisis.

Some sectors have taken the worst-case scenario and developed plans based on this, noted Jeffries Briginshaw. However, it is difficult to plan for the unknown – particularly if businesses are considering various different components. Anastassia Beliakova pointed out that, chiefly for smaller businesses if they’re living from quarter-to-quarter, half-year to half-year, it is not feasible to plan on such a large and uncertain scale.

That said, the political situation provides an opportunity for Ireland. According to Maeve O’Neill, while the UK remains Ireland’s most important trading partner, exports to the Eurozone region were €4.2billion in 2016. As a result, Enterprise Ireland has set out a plan to increase exports to the region by 50% by 2020, and is working closely with companies to support consolidation and growth in the UK during an uncertain market period.

“The private sector has a huge role to play in helping that next generation of businesses.”

Oli Barratt MBE, Co-Founder of Start-Up Britain, COSPA and Tenner
Moving on from the EU referendum result, the private sector needs to do more in terms of offering guidance. Oli Barratt pointed out that organic growth can be a distraction when businesses are trying to work out where to best focus their efforts. He suggests SMEs should be able to turn to the private sector, not just FedEx, to create fresh opportunities. The BCC is a private organisation which complements the work of the Department for International Trade and, for an annual fee, members can receive the service they require to help them grow their business. Approximately 30% of members are exporters who require basic advice with export documents, where to go, what their peers are doing and whether they should export somewhere different to their competitors.

In the last year there has been a lot of talk about trade deals and ‘global Britain’, yet there is limited discussion about export support. Anastassia Beliakova believes this must be addressed so businesses can take advantage. However, exporting messaging should come from small businesses with experience, such as Snugs, rather than politicians. For Oli Barratt, the idea that business will be unwilling to export until trade deals are decided is worrying.

“Go where the water flows.”

Paul Jobin, Founder, Snugs

“It is the nature of the entrepreneur to make a market work for them. Faced with challenges, they won’t be put off from going elsewhere and looking for other opportunities.”

Rebecca Burn-Callander, Freelance Journalist
What comes first: the country or the city? In this digitalised era, SMEs can target specific cities and regions - places where they feel there is more opportunity and demand for their product – rather than having to export to a whole country.

Businesses should target areas which offer maximum opportunities. Brontie & Co is not yet at a level to pinpoint specific cities, according to Aaron Newland, Director for Brontie & Co, and the company is focused on finding partners in particular countries so they can develop the brand and product overseas.

On the other hand, Paul Jobin focuses on cities, mainly due to the bespoke nature of his product. For example, Snugs was established in London before expanding into Shanghai, due to the size of the market and accessibility. While businesses could ignore the UK market and solely focus on international markets, they have to prove their product works and the UK provides a valuable testbed for this.

There are always peaks and troughs when it comes to exporting but shipping to diverse markets and retaining a customer base in the UK can mitigate some of the risk. The investment needed to reach UK customers is relatively low, whereas it can be more complex when exporting. However, Ed Clarke identified that FedEx customers are 50:50 regarding exporting – with 50% of a product staying in the UK and 50% exported, split between Europe and the rest of the world.
Is Brand Britain Still Relevant?

Britain has a strong heritage of producing quality products across many industries. In today’s digitalised world, Rebecca Burn-Callander queried whether ‘Brand Britain’ still carries additional weight overseas in terms of trust and quality.

Aaron Newland says Brand Britain remains relevant in Commonwealth countries and British businesses do find success overseas as result of perceived quality. Brontie & Co is utilising Brand Britain to build trust in its brand by illustrating its quality and organic credentials. Paul Jobin agrees – In Asia, the link between Britain’s heritage and its quality works well. As a result, Great British values such as quirkiness, politeness and outstanding customer service should be leveraged.

Brand Britain does “exactly what it says on the tin”, and Ed Clarke believes the concept is beneficial and important. The UK has a good cachet in terms of what is produced and the services offered. Britain has a good national brand and this should be used as a tool to help open doors – businesses should step up in the way they put themselves forward.

What’s Next for SMEs and Exporting?

As technology transforms so does the exporting landscape. SMEs need to stay on top of new platforms and advancements to retain their competitive edge and continue reaching a global audience. Ed Clarke pointed out that society is moving away from computers and m-commerce is growing in dominance. It is no longer good enough to just have a website; businesses need to have a mobile platform to prevent losing out. M-commerce puts pressure on businesses, concludes Oli Barratt– other industries are raising the bar and since consumers can now order pizza or a taxi with an app, it is no longer enough if a business does not offer this.

“M-Commerce has heightened expectations in speed of delivery and flexibility.”

Lee Langford, Research Director, Harris Interactive Inc.

“With the mobile phone, people are walking around with an office in their pocket.”

Ed Clarke, Managing Director, UK, Ground Operations, FedEx Express