

UK EXPORT OPPORTUNITY REPORT

Global horizons: helping UK businesses grow through international trade

April 2023

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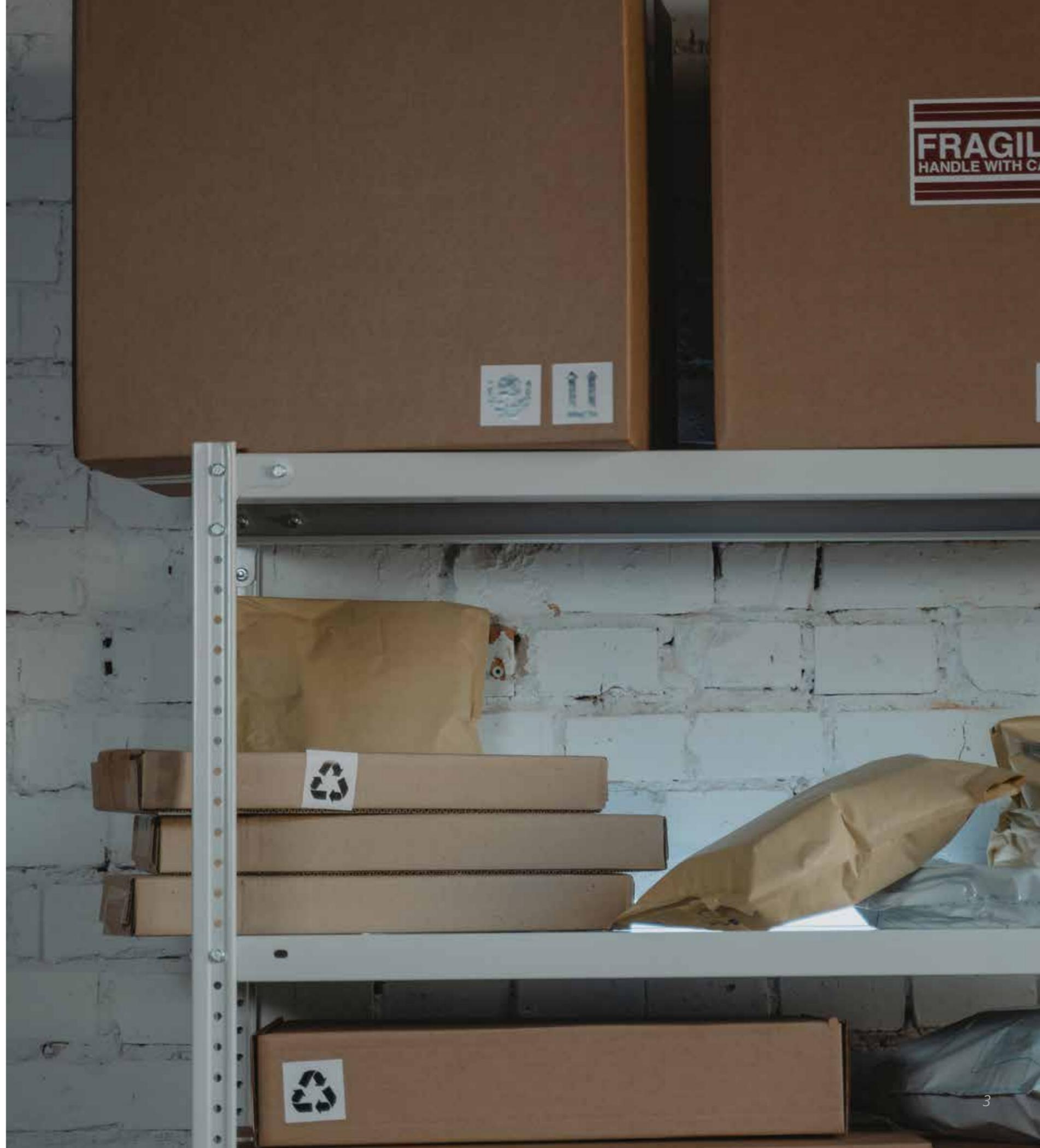
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» FOREWORD



**Roland
Palmer**

**General Manager,
UK, Benelux &
Nordics,
Alibaba Group**



International trade is widely recognised as a key driver of growth, benefitting businesses that export and the UK economy as a whole. Furthermore, the UK's recent economic challenges underline the importance of advancing prosperity by accessing new markets and customers.

Exporting is vital – now more than ever – and presents significant opportunities for British businesses of all shapes and sizes. In order to help more companies on their export journey, we've undertaken new research into the attitudes and views towards exporting of more than 3,000 UK businesses across all four nations and key industry verticals. We are pleased to have partnered with the Institute of International Trade & Export to deliver this report and to inspire more British companies to reap the rewards of exporting.

Our research shows British exporters are optimistic about the future, and the majority expect their export sales to increase in the next year. Over three quarters (79%) said exporting had relieved domestic market pressures. We have also found the benefits of exporting extend beyond economic impact. British businesses that export say they have introduced more innovation, developed new products, digitised their offering and hired more people as a result.

However, nearly a quarter (24%) of small to medium enterprises (SMEs) do not currently sell overseas. This report makes the case for boosting UK SME exports and ensuring that the private and public sectors come together to help Britain's SMEs broaden their horizons, unlock the export opportunity and flourish on the global stage.

Alibaba Group's mission is to make it easy to do business everywhere, creating a level playing field for businesses of all sizes. We're committed to helping British businesses – especially SMEs – overcome perceived barriers to export, continually innovating to support businesses as they grow internationally.

FOREWORD >>



Marco Forgione

Director General,
Institute of Export
and International
Trade



International trade is a unique force for good. Trade between nations facilitates and encourages the sharing and exchange of knowledge, technologies, processes, and goods. It makes businesses stronger and more resilient, helps them to grow and most importantly is transformative in spreading opportunity, changing lives and communities all around the world. Advocating and providing practical support for international trade is at very core of the work the Institute of Export & International Trade (IOE&IT) does.

The Institute was established as a charity in 1935, to empower organisations and equip individuals with the expertise to trade effectively, sustainably and competitively. Our charitable mission informs everything we do.



This research project with Alibaba both confirms what we have long known – that exporting firms are more sustainable, profitable and resilient – but also sheds light on some of the many challenges that prevent businesses from exporting at all or exporting as much as they could.

Politics, global supply chains and traditional trading relationships have been disrupted and face a period of significant uncertainty and instability. Against this backdrop, IOE&IT is committed to promoting trade as a force for good and doing all we can to help every business start or expand its export activity, regardless of size, sector or home market.

As a global convenor and leader in international trade, we are delighted to work with Alibaba on this important report, which provides many useful insights. The research is positive about the benefits of trade but also highlights that hurdles remain.

The whole trade community needs to work together to combat and reduce these challenges. This timely report is a welcome addition to IOE&IT's mission and helps showcase the important role e-commerce and marketplaces play in growing international trade, especially for micro, small and medium sized business.

EXECUTIVE SUMMARY

The export landscape in the UK is promising. 80% of businesses currently export and nearly half (49%) of their annual revenue is generated from exporting.

Nearly 75% anticipate that their export sales will increase in the next year.

The research clearly shows that exporting is important for UK businesses, with **80%** describing exporting as “critical for the future of their business.” Meanwhile, **81%** of businesses say exporting has made their businesses stronger.

Over four in five businesses (**82%**) say exporting has boosted their revenue. But the positive impact goes well beyond that.

A large majority agree that exporting has driven innovation in their business, increased the size of the workforce and helped drive digital transformation.

British businesses are looking to export to help them navigate their way through major headwinds, including economic uncertainty, geopolitical challenges and rising costs. By embracing greater international diversification, firms can access new opportunities and protect themselves against potential problems in the home market. Almost four in five businesses (**79%**) said exporting had relieved pressures at home.

Despite these advantages, the research shows that small to medium sized enterprises (SMEs) are lagging behind larger businesses when it comes to seizing the benefits of exporting. Currently nearly a quarter (24%) of SMEs do not export. Obstacles include logistical and supply chain issues, lack of cultural awareness, political uncertainty and red tape. Difficulties in finding a trusted export partner also ranked high on the list of barriers to international trade.

This report, which captures the views of more than 3,000 businesses across key industry verticals and from around the UK, provides a snapshot of the hopes and concerns of companies as they consider exporting. It also highlights the role of online marketplaces in supporting exports, particularly SMEs, enabling them to seize the transformative opportunities that international growth offers.

THE UK EXPORT LANDSCAPE IS PROMISING... >>

80%

of UK businesses surveyed currently export



nearly half of their annual revenue is generated from exporting

49%



Nearly **75%**

of businesses who currently export anticipate that their export sales will increase in the next year

81%

of businesses say exporting has made their business stronger



amongst SMEs, there remains an untapped opportunity.

24%



of SMEs do not currently export and SMEs are underrepresented when looking at Britain's current export dynamics.

25%

When considering which markets to export to, the number one factor for businesses is the potential for growth



01 SETTING THE SCENE: THE UK EXPORTING LANDSCAPE



SMEs - UNTAPPED EXPORT POTENTIAL

80% of British businesses of all sizes currently export. 92% of businesses with two to nine employees currently export. This is just a few percentage points lower than the proportion of larger companies which export - 97% of businesses with 500 or employees.

Between the largest and smallest businesses, there is a slight export gap. 79% of companies with 50-99 employees export, and this falls to 71% of companies with a workforce of 100 and 249 people.

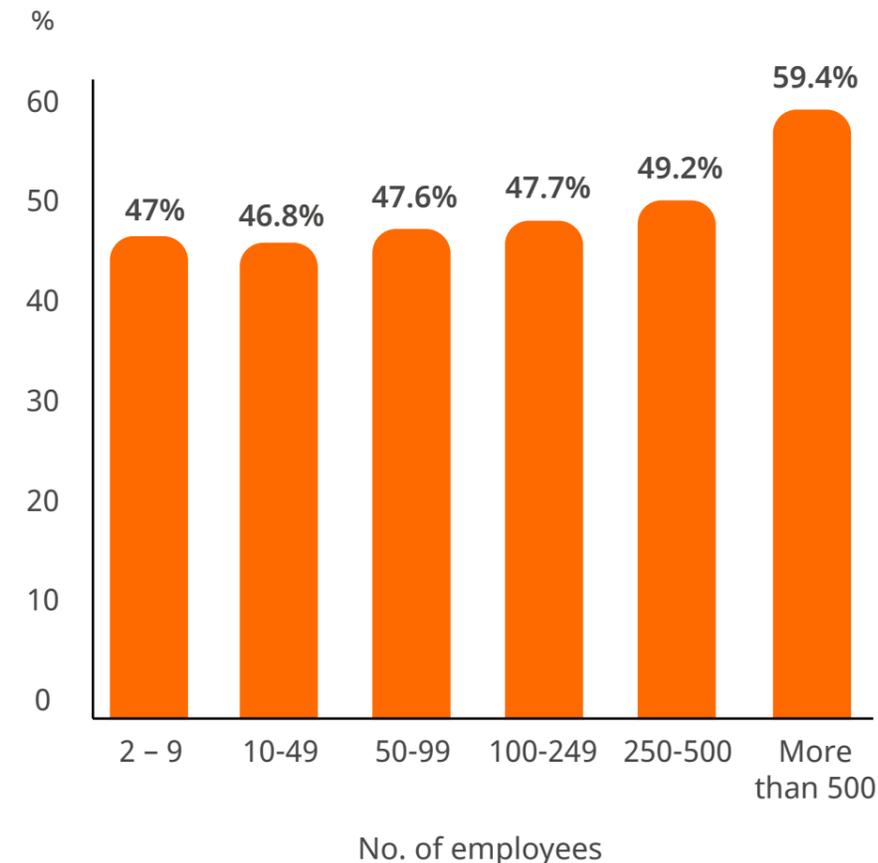
Overall, nearly one quarter (24%) of SMEs do not currently export.



THE ECONOMIC IMPACT OF EXPORT

Businesses said 49% of their annual revenue was from exporting overseas. Asked if exporting has boosted their company's revenue, 82% of businesses agreed, a view shared by 97% of the largest firms (500 employees plus) and 68% of the smallest (two to nine employees).

Percentage of British businesses' annual revenue from exporting in the past 12 months





Looking to the future, over seven in ten businesses (73%) expect their export sales to increase in the next 12 months, with almost a quarter (24%) saying they anticipated a “significant increase” in sales. The key drivers are captured below

Top reasons for British businesses’ anticipated export sales increase



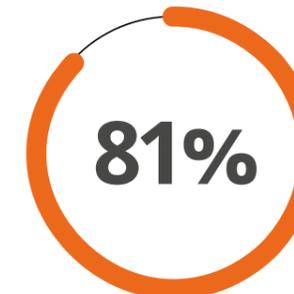
Beyond the positive economic impact, the research indicates that these exporting businesses enjoy a host of additional benefits.



of businesses say exporting has fuelled innovation

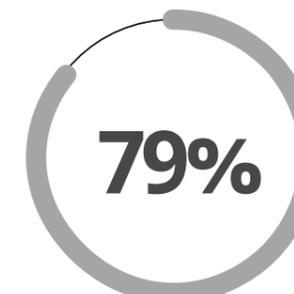
Opportunities for diversifying customer bases and building resiliency into their operating models is one of the key reasons UK businesses are looking to become first time exporters.

Almost four fifths (79%) of businesses agreed that cross-border trade had eased the pressure of doing business in the UK, a view shared by **68%** of the smallest firms and **96%** of the largest.



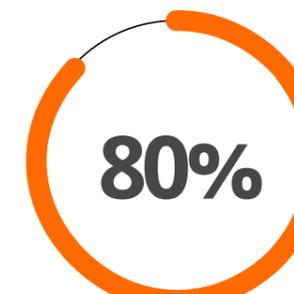
of businesses say exporting has made their business stronger

Exporting also enhances production capabilities. Asked whether exporting had inspired their business to widen its product range, **80%** of all respondents agreed that it had.



of businesses say exporting has lead to increased headcount

Another consequence of operating in new markets is technological advancement. **81%** of companies said exporting had driven the digital transformation of their business.



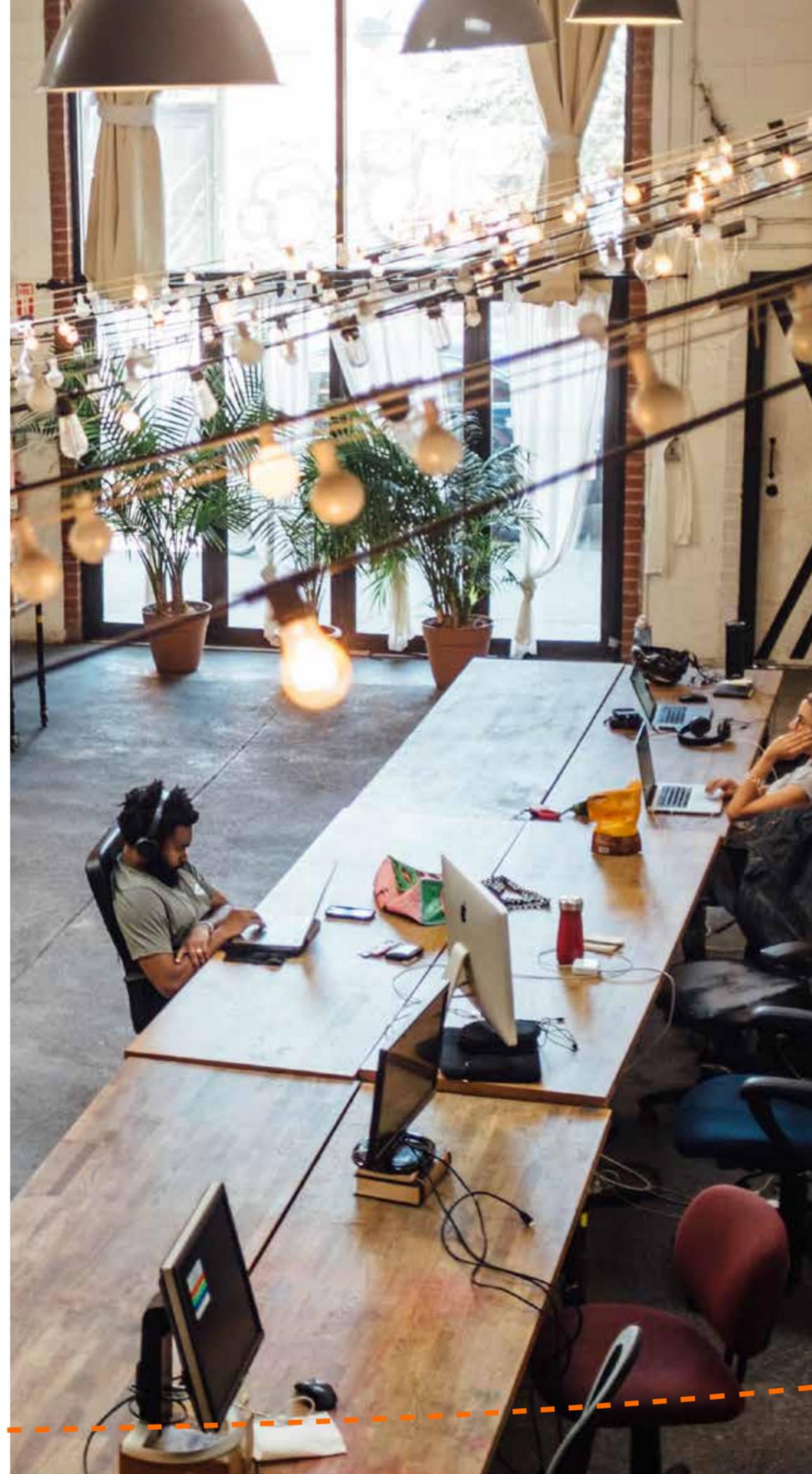
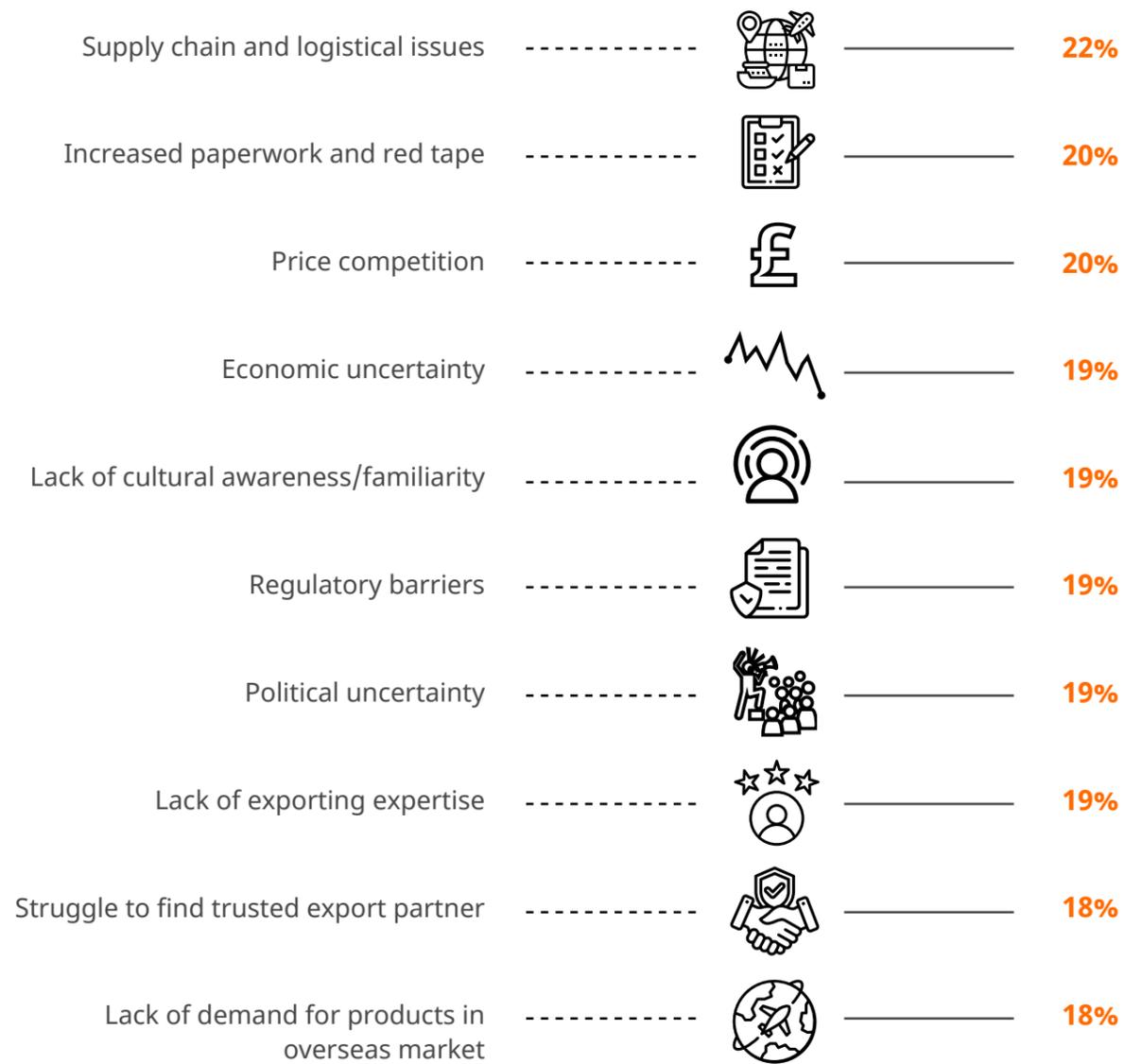
of businesses say exporting is critical to their business’s future



PERCEIVED BARRIERS TO EXPORT

Despite the positive outlook, many businesses perceive challenges that could stand in the way of their export ambitions. These range from internal issues within their business, to external barriers, typically outside their area of direct influence, and which may feel daunting.

Top 10 perceived barriers to exporting



02 GOING FOR GLOBAL GROWTH



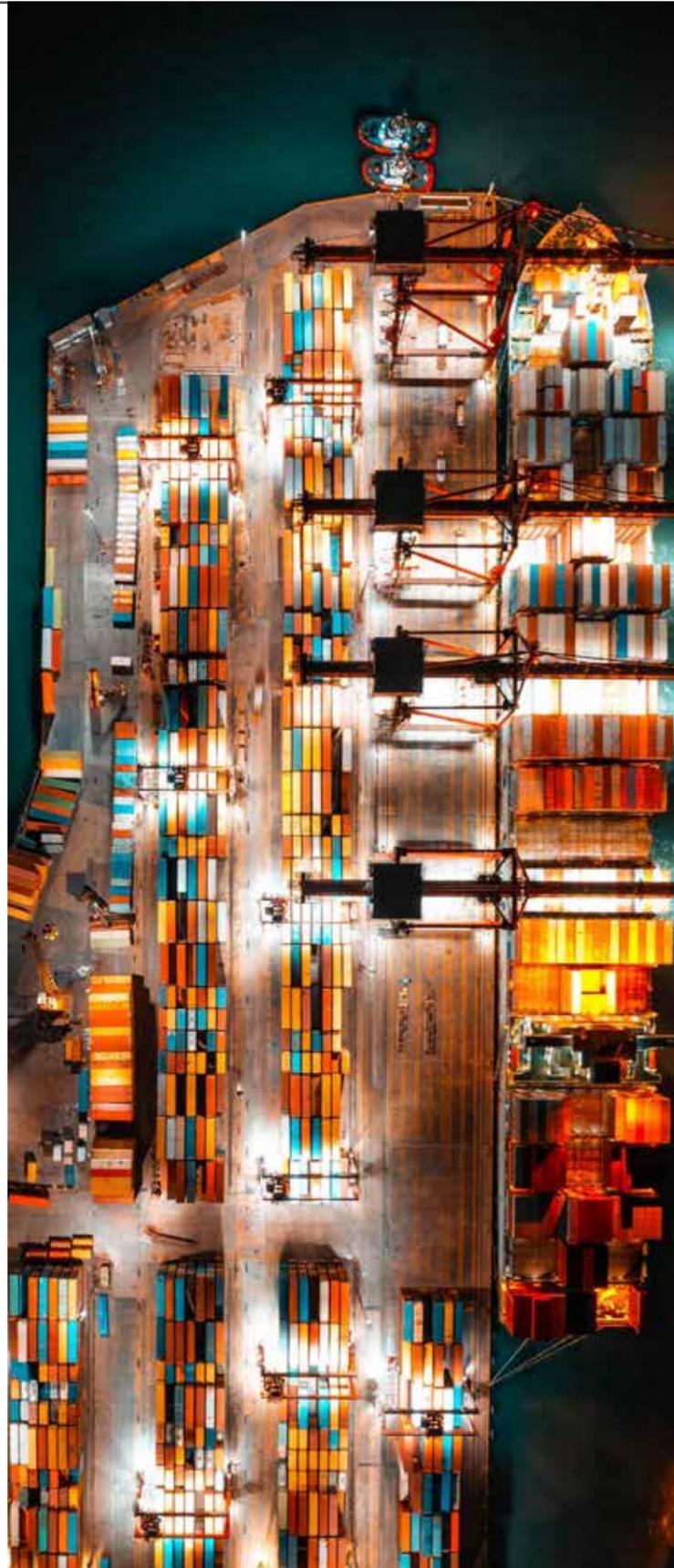
CURRENT MARKETS

The European Union (EU) is key, being the number one export market (27%), followed by North America (23%) and Asia (excluding China, 22%). The EU is possibly a region where businesses have established strong relationships over several years.

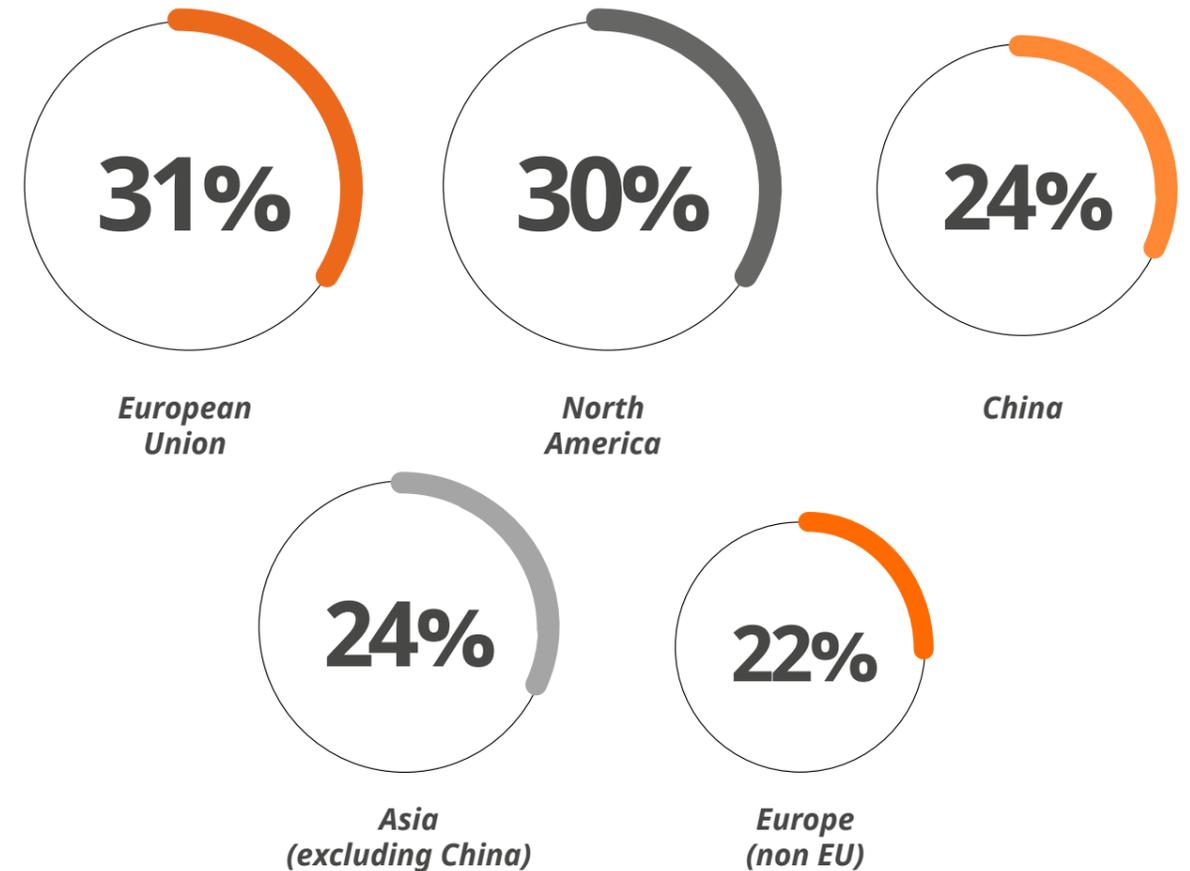
FUTURE MARKETS

Turning to the future, the research suggests the EU is highly attractive to UK companies, which are committed to deepening and broadening their sales to EU nations.

Almost a third (31%) of all businesses cited the EU as representing the best export opportunity. Unsurprisingly, perhaps, smaller firms are more likely to look closer to the UK's nearest neighbours in the EU. This figure rises to 41% amongst firms with two to nine employees, and falls to 24% amongst the largest firms, with 500+ employees.



Top 5 markets that represent the biggest export opportunity



In assessing possible target markets, a quarter (25%) cited growth potential as the main priority, followed by high customer demand (23%) and expected high margins (23%). Over a quarter (27%) of businesses with 500+ employees said understanding of the regulatory environment was a priority, whereas 1 in 5 (20%) of those companies with two to nine employees and 50-99 employees said the same.

Top 5 priorities when choosing an export market

- | | | |
|---|--|-----|
| 1 | Potential future growth | 25% |
| 2 | Anticipated high customer demand | 23% |
| 3 | Information available about the market (s) | 23% |
| 4 | Cheaper shipping costs | 23% |
| 5 | Anticipated high margin | 23% |

GLOBAL EXPORT SUCCESS STORIES

Alibaba Group continues to lead on the digitalisation of global trade, making cross-border trade more accessible than ever and creating opportunities for UK businesses of all sizes. We enable brands to access new markets through Alibaba.com, our leading B2B platform, connecting buyers and sellers around the world.

Natural Fruit and Beverage Company



Glasgow-based Natural Fruit and Beverage Company is a leading contract manufacturing producer of high-quality food products in resealable pouches. Specialising in production of nutrition products in four key market areas, Infant, Sports, Adults and Clinical, the business supplies to a wide range of FMCG retailers across the UK. It has recently partnered with Alibaba.com to kickstart growth across multi-national markets as it continues its growth journey.



Aspiration is a key, core value that underpins everything we do at NFBC. It is about striving for continual improvement across the board, be it for the products we produce or the manner in which we treat our customers and our internal employees. It is also about the continual improvement of the services that we offer and the desire to be omnipresent in the world of contract manufacturing. Through our partnership with Alibaba.com we truly believe that this has become an attainable goal. Our global reach via the Alibaba.com platform is a veritable leap for both NFBC and for the Scotland food and drink industry in general.

We are hugely excited by the proposition of working alongside Alibaba.com this year, and for many years to come and we're proud to put the heritage of Scotland's food and drink production at the forefront of businesses across the world.



Gareth Elliott
Director of Business Development,
The Natural Fruit and Beverage Company



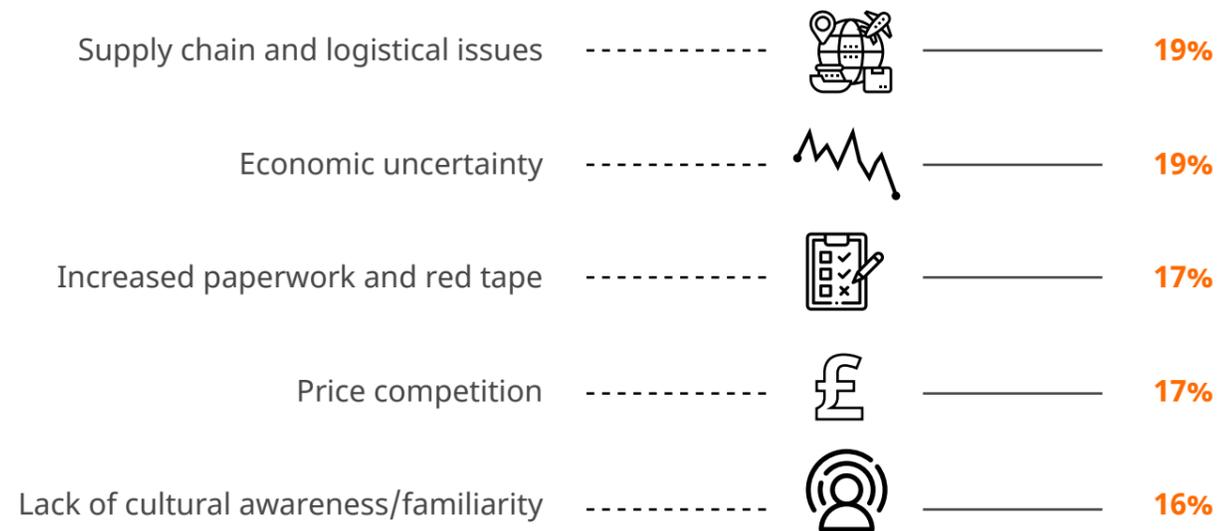
03 THE CHINA EXPORT OPPORTUNITY

China is one of the most dynamic consumer markets in the world, shaping the future of retail and e-commerce.

Nearly a quarter (24%) of businesses cited China as the market representing the biggest export opportunity, compared to 16% of businesses in the same study commissioned by Alibaba Group last year. This would suggest that the number of businesses that are 'switched on' and understand the China opportunity is on the increase.

However, there remains a disconnect between businesses of different sizes. Currently, 21% of businesses export to China, rising to 31% amongst firms with 500+ employees. Amongst SMEs, this figure drops to 19% and to 18% amongst firms with two to nine employees.

Top 5 perceived barriers to exporting to China





BEST COUNTRIES

WPP | BAV

WPP BAV's annual Best Countries study shows the UK is consistently highly regarded by international consumers, placing 8th overall out of 85 countries worldwide. There's a direct link between how people feel about a country, and how they feel about the brands and products that come from there. The words "Made in ..." can instantly lend credibility and trust to a product or brand that a consumer hasn't previously encountered.

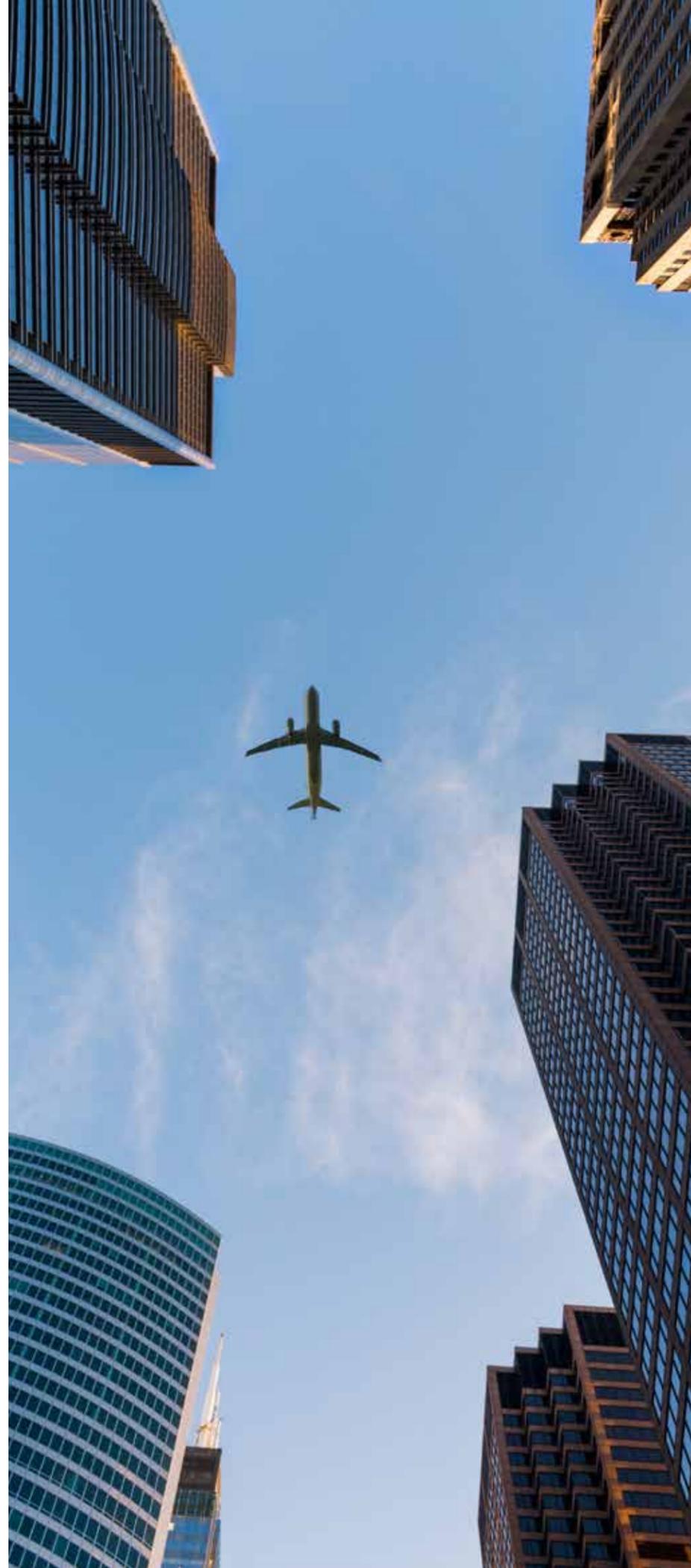
It is a powerful bearer of meaning to international consumers about what to expect in terms of quality, value and innovation – as well as how much they should be prepared to pay.

That can be enough to convince someone to buy, and, beyond that, convince them to pay a premium. The reverse is also true, of course. Country of origin can be an instant turn-off.

In China, 85% of people surveyed by BAV said the country where a product is made affects their decision about whether to buy it.

For Chinese consumers, Brand UK has particular resonance in certain categories of products and services because they link to what people already know or feel about the UK. The UK ranks among the top 10 countries of origin when Chinese consumers make a choice in seven diverse categories.

Alcoholic spirits, cosmetics, cars, technology and pharmaceuticals are all sought-after, with clothing, packaged food and beer also strong performers in the minds of Chinese consumers.



The words 'Made in ...' matter much more than you might think. To Chinese consumers, these European markets represent leadership, expertise and trust in sectors as varied as technology and fashion, food and pharmaceuticals. All that really counts when consumers make complex, in-the-moment choices about brands.



David Roth, CEO of The Store, the WPP Global Retail Practice and Chairman WPP BAV.



chinaskinny

According to Skincare Tracker data from China Skinny, research and strategy agency, **Skincare** is a relatively strong category for foreign brands in China with 61% market share in 2022.

Body Care and Body Cleansing products are leading growth in the overall category, with skin elasticity related claims performing best overall (Collagen and Tightening). There is a trend towards minimalist, scientific brand positioning, with consumers engaging heavily with first-person tutorials, and how new ingredients can help their routines (Seaweed most of all in 2022).



Andrew Atkinson, Director of China Skinny, has the following tips for British SMEs looking to enter the skincare market in China:

CATEGORY TRENDS

There is a significant opportunity for British brands in all categories, when considering the dynamism of the Chinese consumer and ecommerce market. One category notable for its stand-out performance is **Beauty and Personal Care**.



01

DO YOUR RESEARCH

Research must be done to localize your products and brands, and identify your target audience. As an SME you won't have endless budget, so you must focus your efforts to be as efficient as possible.

02

GET ON THE GROUND

As an SME your senior leadership will likely be heavily involved with decision making for any export market. China is a market that requires some local experience and understanding. Added to this are the benefits from making relationships and developing trusted networks.

03

REGISTER YOUR TRADEMARKS

In China's first come, first served IP market, make sure your trademarks are registered well before you even consider exporting.

Andrew says:



The road to success in China has become more complex and requires more investment to navigate, but what awaits is a route to completely transform your business. As tens of millions enter middle income status every year SMEs should not fear looking at China as a long-term investment.

04

ENGAGE YOUR LOCAL CHINESE COMMUNITY

Platforms and distributors will be much more interested in your brand if they can see Chinese abroad are showing interest. This community also forms a source of marketing, feedback on your brand, and route to test new products through.

05

BE REALISTIC

China is now very competitive - the rewards are there, but you must be realistic. The lower your marketing budget the more intelligent your strategy needs to be.

CHINA EXPORT SUCCESS STORIES



Alibaba Group works with major brands and SMEs alike to access new markets and benefit from significant export opportunities. We're extremely proud to work with hundreds of businesses across the UK to help unlock the long-term Chinese growth opportunity through our China commerce, such as Tmall and Tmall Global.

Here are some first-hand views from just a few of the businesses we work with, sharing their perspective on the export journey.

eCargo



In 2021, eCargo was appointed as the China exclusive distributor for Ella's Kitchen, the UK's #1 baby food brand, and as the APAC exclusive distributor for Fentimans, UK's award winning botanically crafted beverage with a heritage of over 100 years.

Working together with our brands to focus on brand growth and customer experience, both Ella's Kitchen and Fentimans achieved their strongest year in sales from UK to China in our first year of partnership.

The success was a result of maintaining a close relationship with Tmall and their team, with their support on joint marketing opportunities to elevate brand image and drive brand awareness on the platform. China continues to be an exciting market, and brands which are looking for international expansion should definitely have Tmall as part their channel strategy, in order to maximise their growth opportunities.

eCargo has been servicing brands and retailers on Tmall since 2014, the platform offers a great entry point for brands wanting to quickly establish themselves in China, leveraging on the platform's comprehensive ecosystem and customer reach.



Lawrence Lun,
CEO,
eCargo

Shakeup Cosmetics



Shakeup is founded by twin brothers, Shane Carnell-Xu and Jake Xu. Born in Beijing and raised in the UK, they set out to create their own range of vegan, cruelty-free cosmetic products, designed specifically for men's skin type and concerns.



Alibaba has been instrumental to the growth we've achieved so far, as a young British indie beauty brand. When the pandemic happened, we had to make a decision to pivot our focus and prioritise export sales. And Tmall Global allowed us to launch in China via Cross Border Ecommerce quickly and efficiently, giving overseas brands of all stages and sizes the opportunity to reach the exciting Chinese consumer audience. Since 2020, our partnership with Alibaba has propelled Shakeup Cosmetics to become one of the top selling men's premium cosmetic brands on the platform, which meant that we not only survived, but actually thrived during the difficult pandemic years.

During my recent visit with our distributor partner in China, I also met with our Tmall Global Account Manager at the Alibaba HQ in Hangzhou, and had a very productive discussion about their vision for our brand and how we can collaborate even more closely to drive our growth going forward. I am very impressed with the level of care and the personable approach offered by an e-commerce giant such as Alibaba, which is incredibly rare.



Shane Carnell-Xu,
Co-founder,
Shakeup Cosmetics



04 THE PATH TO DIGITAL TRANSFORMATION

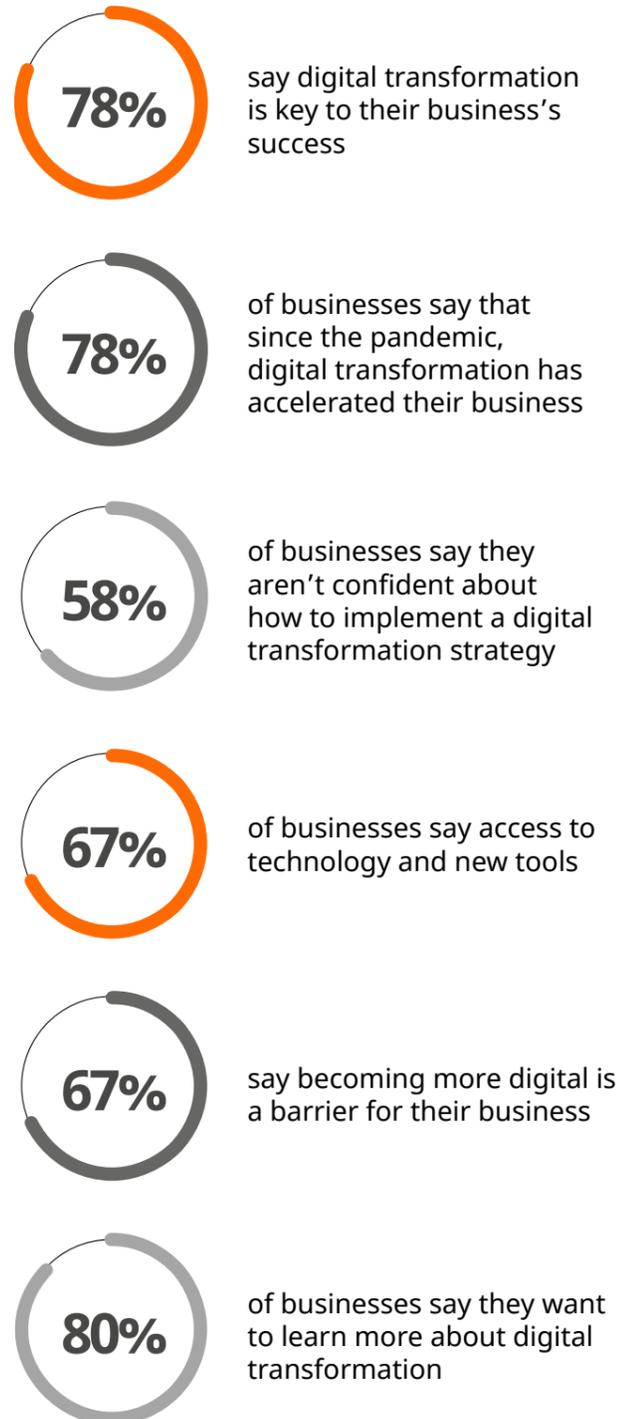
Global trade takes place in an increasingly digital world.

Despite this, fewer than half (42%) of all businesses are fully digital, falling to 38% amongst SMEs. B2C businesses are more likely than B2B/wholesalers to say they are fully digital, with all aspects digitalised (46% vs. 32%).

More than half (58%) of businesses admitted they aren't confident about how to implement a digital transformation strategy – yet there is a significant appetite and willingness to find out more and build the skills and capabilities necessary.

Businesses that are using an online marketplace to boost their export sales are more likely than those that are not using a marketplace to say they fully digital, with all aspects digitalised (48% vs 25%).

The challenges of digital transformation





THE ROLE OF ONLINE MARKETPLACES

Online marketplaces are a valuable channel for exporting goods worldwide – their scale and reach bring unique benefits for businesses of all sizes. SMEs can reach a much wider market of potential customers, and maximise an opportunity that was previously restricted to larger companies with global operations and connections.

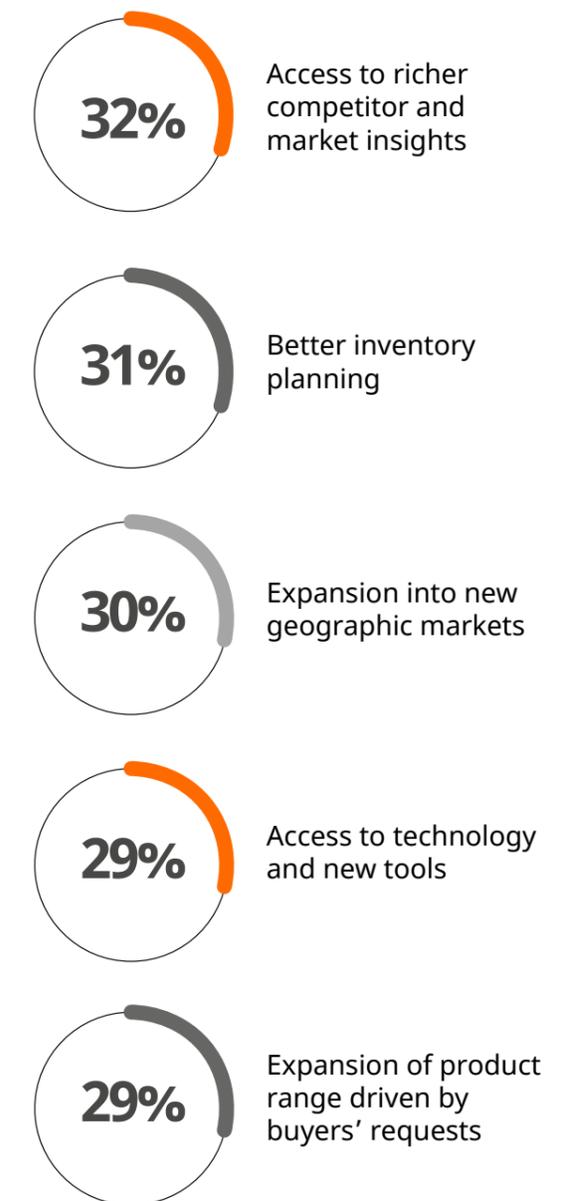
83% of British businesses are currently working with online marketplaces to boost their export sales. Three quarters (75%) of businesses who currently use a marketplace to boost their export sales expect their export sales to increase, compared to (46%) of those who are not currently using a marketplace to boost their export sales.

However, despite the potential of marketplaces to act as a ‘force equaliser’, smaller businesses are lagging behind their larger counterparts when it comes to taking advantage of them. Fewer than half (48%) of exporting businesses with two-nine employees work with online marketplaces, compared to 96% of businesses with over 500 employees. 68% of British SMEs currently work with marketplaces, compared to 89% of companies with 250+ employees.

Overall, nearly a third (30%) of businesses started working with online marketplaces during the pandemic, with the pandemic providing a strong catalyst for businesses to adopt digital tools.

Businesses that use online marketplaces to export recognise the wide range of benefits associated before benefits.

Benefits of using an online marketplace for British business exporters



CONCLUSION



Britain's export landscape presents something of a paradox. On the one hand, we found a general eagerness to engage with overseas customers. British businesses clearly recognise the export opportunity, and have demonstrated a readiness and willingness to export.

But at the same time, we encountered concerns about perceived obstacles to exporting, from red tape and supply-chain issues to the difficulties of finding a trusted export partner.

There was the same mixed picture in terms of exporting to China, perhaps the most dynamic consumer market in the world. While nearly a third of the largest British businesses sell into this market, fewer than 18% of the smallest businesses do the same.

Again, there is a lengthy list of perceived obstacles, including worries over the security of intellectual property and regulatory barriers.

Technology offers businesses large and small the opportunity to access markets far from home,

and more than 70% of British businesses surveyed are working with the online marketplaces that help make this possible. But fewer than half of the smallest businesses are doing so, despite potentially having the most to gain.

In terms of digital transformation, nearly 80% of all firms said it was key to their business success - but 69% said it was too costly for the business in question.

At Alibaba Group, we are determined to help every business we can to achieve their export ambitions. We enable British businesses to access new markets both through Alibaba.com, our global B2B platform, and through our portfolio of B2C marketplaces. Together, we can open up a world of opportunity.



APPENDIX

RESEARCH METHODOLOGY

The findings of this report are drawn from independent research, commissioned by Alibaba and undertaken by Censuswide.

The research was conducted among a sample of 3,011 business owners of companies offering 'goods' rather than 'services' with 2+ employees and a revenue of £1m+ from the UK (aged 18+). The data was collected between 21.02.2023 – 02.03.2023. Censuswide abides by and employs members of the Market Research Society and follows the MRS code of conduct which is based on the ESOMAR principles.



