

EXPORT READY: MARKET SIZE AND EXPORTING STUDY



CIM
The Chartered
Institute of Marketing





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FOREWORD

We are living in turbulent times. Our world is high-tech and high octane and today's consumers are at the cutting edge of tomorrow's technology. But it's also a cutthroat commercial world where new technologies become old news almost as soon as they hit the online marketplace. But some things don't change and, for business, the traditional challenges of generating sales, boosting productivity, improving margins and managing cash, are just as important for the new entrepreneurs of generation Z, as they were for their baby-boomer grandparents.

The difference is that, for baby-boomers change was progressive, nuanced and evolutionary; for generation Z, change is disruptive, overnight and transformative, impacting marketing strategies, roles and remits, blurring reliable information on the size of the marketing profession and the value of the sector to the UK economy as a whole. Add Brexit to the mix and an already turbulent marketing industry has an increasingly challenging - but no less vital - role in supporting UK businesses in identifying and capitalising on overseas commercial opportunities.

CIM and PwC Research have collaborated in an attempt to define, not merely the size and impact of the UK marketing industry in terms of jobs and revenues, but also to understand the challenges and opportunities inherent in export markets, and how marketing can drive international sales. Our study brought together data from multiple sources, including ONS labour force statistics and survey data from over 300 UK businesses. We have also taken account of the considered opinion of CEOs and marketing gurus from across the UK. Connecting the insight, the results are revealing.



INTRODUCTION

Over the past decade, the speed of technological change has had a huge impact on the UK's businesses, both in terms of their operations and how they engage with the market. In turn, this has had a knock-on effect on the role of marketing. The sector has needed to adapt quickly to fuse more traditional marketing capabilities with the digital skills needed to operate at the cutting edge of business decision making in the current era.

In keeping pace with these changes, the marketing profession has also changed. The marketer of today needs to understand long-established disciplines such as PR, advertising and branding, but also needs skills in areas such as digital optimisation and social media marketing. The inclusion of digital channels in the marketing mix has also led to a fundamental change in approach to some of the more traditional activities. Online and social media advertising continue to displace spend on print media and the last decade has seen the rise of marketing through online influencers and viral campaigns.

In addition to the pace of change, UK industry also faces wider challenges related to the political landscape. The date on which the UK is due to leave the European Union is now less than one year away, and a range of opinions have already been voiced on the potential impact this may have. What is more certain is that during this period, the marketing industry will continue to play a critical role in supporting UK businesses in identifying and capitalising on commercial opportunities overseas.

Given the extent of the technological and political changes seen over the last decade, it is unsurprising that there is limited up-to-date information on the size of the marketing profession as a whole or its value to the UK economy. In this report CIM, in association with PwC Research, reveals for the first time, estimates of the size and impact of the UK marketing industry. We also uncover the challenges and opportunities inherent in export markets, and discuss the critical role that marketing has in driving international sales.

Our study involved a three phased approach and took data and insight from a number of key sources. PwC Research, undertook a detailed analysis of data from existing sources including the 2017 ONS Labour Force Survey, the BEIS Small Business Survey and other published market statistics. The available data was supplemented by a PwC survey of over 300 UK businesses, as well as in depth discussions with CEOs and marketing gurus from across the UK.

EXECUTIVE OVERVIEW

With the Office for Budget Responsibility (OBR) predicting that Brexit will depress British exports, the UK government has impressed upon businesses the need to be more proactive in their approach to exporting. The Department for International Trade is also seeking to strike new trade deals around the world in the hope that UK plc will take advantage of these new opportunities.

If British business is to sell products and services in new countries, it will lean heavily on the marketing profession. The industry is already a major contributor to the UK economy in terms of both jobs and revenues. Marketers exist to open up markets, at home and abroad, reach customers and ultimately sell products and services.

But exporting to new markets in unfamiliar countries is a considerable challenge. Every country has its own marketing culture and idiosyncrasies that will determine the success of a marketing strategy.

We have set out in this report to understand how the marketing profession feels about this task and to understand the exact size and shape of the UK marketing industry, which has been notoriously difficult to define in the past. Most importantly we want to know whether British marketers and British businesses are Export Ready.

PwC's outstanding researchers have allowed us to build up a picture of how the UK's small and medium sized businesses perceive exporting today.

We find British businesses have a positive outlook towards exporting. Seven in ten of those already exporting expect these exports to grow despite Brexit, and only a very small proportion predict a decrease.

Worryingly though, only a third have a specific exporting plan. If the OBR is proven to be right, then exporting will become more difficult and, without a plan to fall back on, these firms could be in for a shock. We hope that this report will serve as a wake-up call to businesses to ensure they are not being complacent about the potential impact of Britain's exit from the EU on their ability to export.

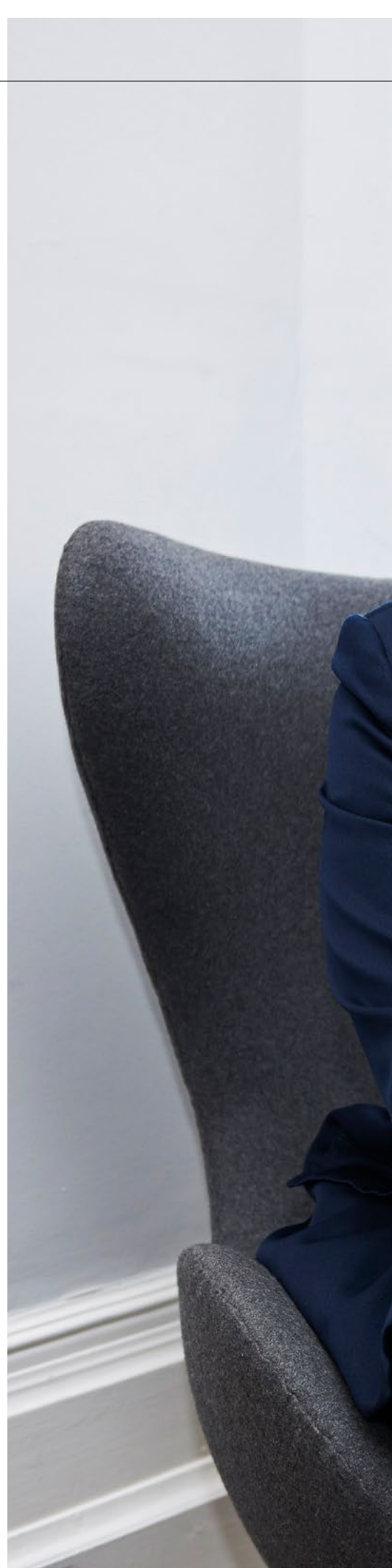
The study also shows that any drop in exports is not going to be made up for by businesses exporting for the first time. Only one in seven of these say they will even consider exporting in the next three years.

It's interesting too, that our research indicates that the markets most frequently chosen as seeing the fastest demand in growth for exports from the UK, fell outside of the EU, headed by the USA (27%) and China (20%) – indicating that although Brexit is a challenge, there is opportunity outside of Europe.

And yet our research shows that even among successful exporters, 80% say they have faced significant challenges marketing their products abroad. We can see clearly that a shortage of marketing skills is a tangible barrier to Britain's ability to export.

At the Chartered Institute of Marketing we believe in the business advantage that professional marketing can provide. We urge any business that is about to begin exporting, to ask itself whether it has the marketing skills to succeed.

Chris Daly
Chief Executive, Chartered Institute of Marketing





I would love to see more British businesses join me in my mission to boost the presence of British brands overseas. Exporting abroad makes businesses more productive and is an important source of growth. New businesses should be looking to export from day one.

Going global is an important step for all businesses. The most productive firms in the UK are those who can sell goods and services overseas, however, more than two thirds of businesses do not even consider it. By encouraging growing businesses to export overseas, the government can ensure new jobs are created and businesses from overseas are encouraged to invest in UK supply chains.



Lord Bilimoria CBE

**CHRIS DALY, CHIEF EXECUTIVE
CHARTERED INSTITUTE OF
MARKETING**



The potential effects of Brexit on food exports are enormous, which is why the Environment, Food and Rural Affairs Select Committee ran an inquiry into it. Through the inquiry we spoke to the industry, third sector and ministers to get a grasp of what food exporters can expect and to explore what kinds of policies the government might wish to pursue to get the best outcome.

Two key themes with regards to exports became apparent throughout the inquiry. How do we maintain as much access as possible to the EU? And what are the challenges and opportunities to grow markets outside of the EU? A related theme also emerged; how do we displace imports to give British products a better footing here in the UK?

As well as getting the policy mechanisms right it became clear that the role of marketers and 'brand Britain' will be central in achieving the best results across all three themes.



Angela Smith MP

THE VALUE OF MARKETING

This report has, for the first time, provided a holistic estimate of the shape and size of the marketing industry in the UK. The specific remit of this part of the study was to identify the contribution and impact of the UK marketing industry, in terms of revenues and jobs, taking account of both the providers of marketing services and in-house marketing functions in UK based organisations.

For the purposes of this project we are defining marketing as:

'The management process for identifying, anticipating and satisfying customer requirements profitably. This includes a range of activities: advertising, sponsorship, research & development, customer relationship management, design/creative activity, database management and data mining, branding, digital optimisation, public relations, pricing, business development, website design and user experience and social media engagement activities.'

Our definition does not include sales, market and insight services and website build, although it is recognised that there will inevitably be areas of overlap.

Source: CIM/PwC Research
(developed by the steering group for this project)

Our research has revealed that:

- The UK marketing industry employs up to **415,000** people and generates **£36.5 billion** in annual Gross Value Added (GVA).
- The 'core providers' of marketing services account for around **130,000** FTEs (full time equivalents) and **£11.5 billion** in GVA. This includes marketing consultancies, advertising and branding agencies, PR firms, as well as a range of other providers, according to our definition.

- Organisations that have their own in-house marketing functions contribute over **285,000** FTEs and GVA of **£25 billion**.
- Whilst many organisations, large and small, across many industry sectors, employ teams of marketing specialists in-house, a number of key sectors appear to have a stronger focus on marketing activity. These include medical and pharmaceutical services, food and drink manufacturing, charity and social enterprise and creative industries such as film and performing arts.
- The marketing industry represents approximately 3% of the UK non-financial business economy (which includes production, construction, distribution and other non-financial services), a sector of the economy which is experiencing sustained growth. The latest ONS data available (2016) indicates that the non-financial sector saw annual growth of 3.9%.

The contribution and impact of the UK marketing industry: GVA

UK marketing industry	£36.5bn
'Core providers'	£11.5bn
In-house marketing functions	£25bn

The contribution and impact of the UK marketing industry: FTEs

UK marketing industry	415,000
'Core providers'	130,000
In-house marketing functions	285,000

THE MARKETING INDUSTRY MAKES A SUBSTANTIAL CONTRIBUTION TO THE UK ECONOMY



We plan to harness the significant pulling power of the UK's unique brand – which is already the centrepiece of the 'GREAT' and 'Exporting is GREAT' campaigns – to exhibit the strengths of UK business and the outstanding range of products and services our firms have to offer overseas consumers.

Working with trade bodies, such as the Chartered Institute of Marketing, is key to achieving this. The UK government will harness the strength of the UK marketing industry, reaching out to industry leaders and experts, including CIM members, to support those businesses that are looking to grow internationally.

Baroness Fairhead CBE
Minister of State for Trade and Export Promotion

**THE UK'S EXPORTERS ARE
CONFIDENT BUSINESSES**

A POSITIVE OUTLOOK

Marketing professionals are a characteristically optimistic breed, so it's unsurprising that most are fairly bullish about the future prospects of their organisations. Almost two thirds of core providers predicted a rise in turnover over the next three years, with around a fifth expecting their business to grow by 50% or more. Those in businesses with in-house marketing teams display a similar level of positivity, with half predicting a rise in marketing budgets in the next three years.

Our research shows that this optimism is particularly marked among those in businesses which export goods or services. Regardless of any fears of political or economic uncertainty, 62% of marketers in organisations which already export expect their marketing budgets to rise over the next three years. This sits substantially higher than the corresponding figure for businesses who do not export (41%).

Established exporters – those that have exported goods or services overseas in the last three years – are also confident in their ability to grow export volumes in the future. Two thirds anticipate an increase in the next three years, with three in ten believing exports will increase “a lot” from their current levels.

Marketing can play an important role in helping businesses to establish and develop export strategies and this was also evidenced in the research findings. The majority of both core providers and businesses with in-house teams agree that marketing has helped to unlock opportunities overseas (73% and 64% respectively).

A similar proportion agree that marketing has been a critical component of the success of export strategies (78% for core providers and 62% for businesses with in-house marketing teams).

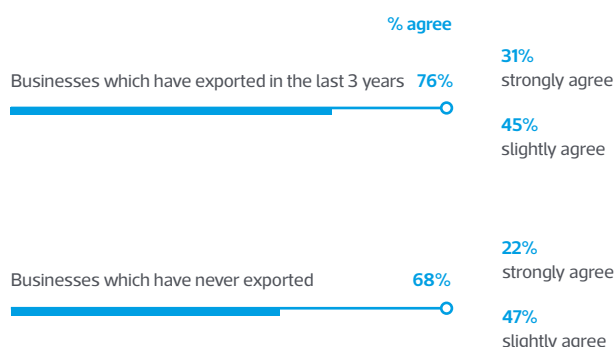
Around a third of exporting businesses have developed a specific strategy designed to help them to drive export growth. These organisations stand apart from those whose export behaviour is more based on a reaction to customer requests, in that they are almost twice as likely to expect their activities to deliver increased revenue growth in the future. Those in businesses with a defined strategy are also more likely to agree that they have the required in-house skills to target new markets.

While positivity and growth projections are both higher for businesses which already export, there is little evidence to suggest a strong commitment to developing export strategies among those who do not currently sell overseas. Only 14% of marketers in organisations which have never exported say they are likely to consider doing so in the next three years – a very small figure compared to the proportion of the non-exporters who claim to have the required export skills in-house (68%).

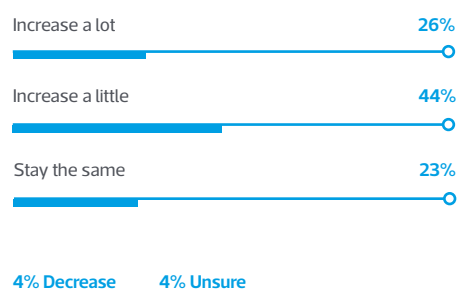
This illustrates a potential opportunity to support organisations who have not yet developed a clear plan for exporting to realise the benefits this could bring. In considering how best to approach this, it is first necessary to consider the challenges businesses face when they look to move into new overseas markets.

Agreement:

“My organisation has the necessary skills to sell its goods or services in new markets”



Expected change in export volume over the next three years



EXPORTING CHALLENGES

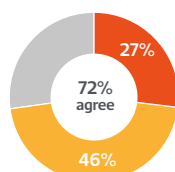
Marketing teams face a range of challenges when looking to establish an export strategy

Although over three quarters of marketers believe that their organisation has the required skills to sell goods and services in new markets, a closer investigation of marketer viewpoints suggests that even established exporters must overcome a range of different challenges in order to achieve success in this area.

Over a third (35%) of professionals in businesses with in-house marketing teams have experienced difficulties in finding people with the right skills to drive their exporting strategy forward. Marketing agencies are even less confident that the businesses they work with have the optimum mix of skills, with 67% agreeing that organisations face difficulties in finding people with the right skills to drive export growth.

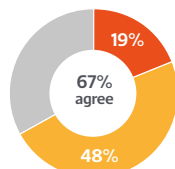
Agreement:

"My organisation has the necessary skills to sell its goods or services in new markets"



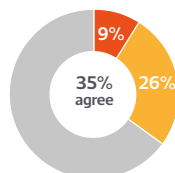
Agreement:

"Organisations find it difficult to find people with the right skills to grow their businesses outside of the UK" (Agencies)



Agreement:

"We find it difficult to find people with the right export skills" (Client-side)



● strongly agree ● slightly agree

Source: PwC Survey 2018 (Base sizes: 301/67/234)

Finding people with the right skillset to drive export strategies forward, is a clear challenge faced by UK businesses seeking to establish or grow their profile in overseas markets. Results suggest this is currently having a greater impact than other non-skills related barriers to exporting, such as tariffs or political uncertainty. Four in ten of the businesses which had exported or considered exporting recently, have experienced challenges in finding people with the required know-how to adapt a UK-based strategy to different cultures or markets.

Confidence in approaching new markets and a lack of contacts also feature prominently in the list of main barriers.

The wide range of skills-related barriers form a sharp contrast to the confidence initially displayed. It is particularly telling that only 18% of businesses who have considered exporting, claim not to have experienced any barriers in the last three years.

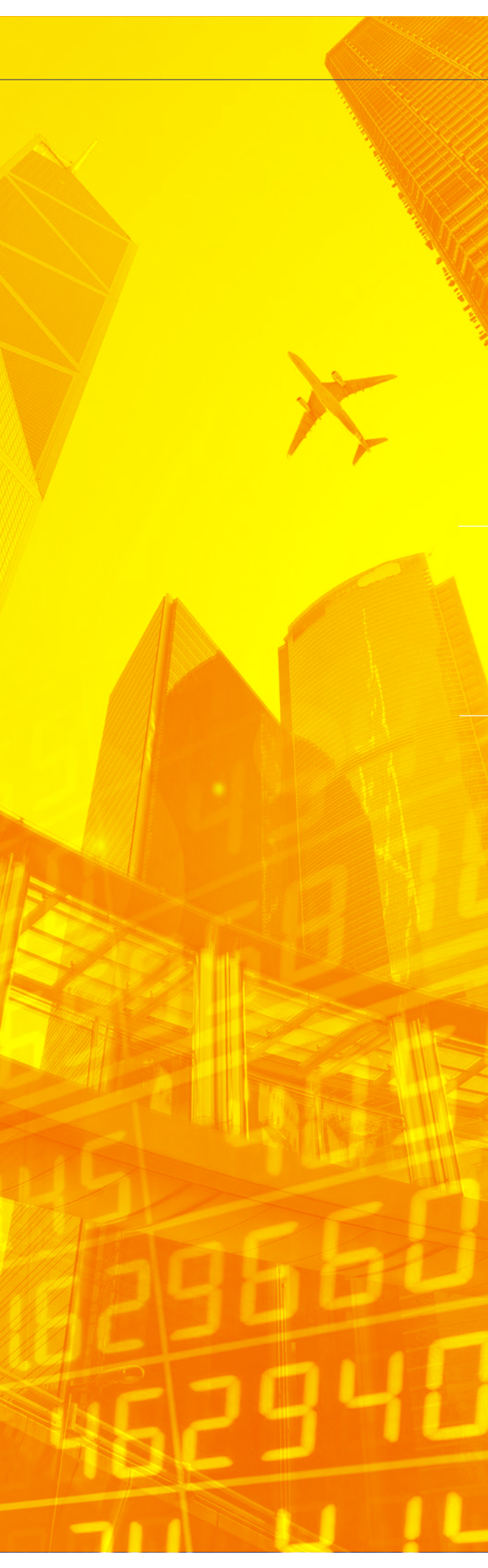
Challenges experienced in the last three years when looking to export



Source: PwC Survey 2018 (Base size: 159)

There was no evidence to suggest that being a part of a larger organisation helps to reduce the extent of these challenges. In fact, organisations with an annual turnover of over £25 million were more likely to report difficulties with adapting strategies to different markets and accessing the right export marketing skills. Similarly, businesses with developed export plans are just as likely as those reacting to customer needs to have experienced this range of challenges.

Even though appetite for exporting may not be very high for businesses not already operating in overseas markets, it is interesting that even this group report challenges with finding people with the right marketing skillset to drive this agenda. While the main reason given for not considering exporting in the near future is the perceived unsuitability of the product or service offered, 13% say they are not confident in the success of an exporting venture, 11% do not have the in-house experience or knowledge to consider exporting and 10% reported a lack of knowledge of overseas markets.



It shouldn't be a revelation that the fastest way to achieve growth in exporting is to empower people and businesses by creating, nurturing and expanding international marketing skills. This doesn't just mean building skills to sell, we also need to develop skills to access finance, to create mature plans for reaching additional markets and for coping with growth. A strong culture of growth through marketing, responsible planning and fostering talent will create its own momentum and with it, a new reputation for quality and accessibility.

Drew Hendry MP

MARKETING TEAMS FACE A RANGE OF CHALLENGES WHEN LOOKING TO ESTABLISH AN EXPORT STRATEGY

You must have a global mindset in the way you seek to solve problems for clients and communicate with their customers. This is borne from great creativity. In the UK we compose great music, design great clothes, produce great film and television, write great literature and create world leading video games. The UK's creative industries are internationally successful. This creative spirit, talent, vision and bravery can differentiate us around the world.

The UK is also a hotbed of innovation. We are responsible for inventions as broad ranging as the lawnmower, the chocolate bar, the pneumatic tyre, the steam engine, the telephone and of course, the World Wide Web. Digital disruption continues at break-neck speed and the capacity to use technology to do things differently and better, means we can work anywhere in the world.

Talent in creativity and innovation is a commodity without borders in the 21st Century. We need to capitalise on that and double down on our core strengths and global spirit.

Alex Butler
Co-founder of Foundry³

For many businesses, the answer to Brexit is developing business in non-EU countries; they'll need to assess markets and understand key questions in the market assessment process. For example, how are companies going to identify best fit countries for their products? Which countries are best suited for the positioning of their brand? And how will firms identify the fastest growing markets? Depending on the product or service, firms may need to adapt to market requirements. But it is possible – companies such as Old Station Nursery and Maynard Leigh have already enjoyed benefits by exporting their services to India and finding large growing markets for their businesses.

Simon Hall
NextGen Marketing Solutions



Markets seeing the fastest growth in demand
(% selecting each country shown)

- USA (27%)
- China (20%)
- UAE (14%)
- Germany (11%)
- India (9%)
- Hong Kong (8%)
- Saudi Arabia (8%)

Markets where challenges are most often experienced
(% selecting each country shown)

- USA (11%)
- China (11%)
- France (7%)
- Germany (6%)
- UAE (5%)



THE MOST CHALLENGING MARKETS

UK businesses export to a wide range of overseas markets and our survey participants were no different in this regard. The top three markets they reported working in (USA, Germany and France) all fall within the top five export markets for the UK as a whole.

Interestingly, almost all of the markets most frequently chosen as seeing the fastest demand in growth, fell outside of the EU, headed by the USA (27%) and China (20%). The UAE is also seen as an expanding market, cited by 14% of marketing professionals with exporting experience. While this reflects that many small and medium-sized enterprises may have an increasingly global outlook, there is no evidence that this is coupled with any major reduction in focus on Europe. Europe still features prominently in the list of countries recently exported to, making up six of the ten most frequently mentioned markets.

The variety of countries and territories where increased demand is being seen, provides important context to the challenges described in the previous section of this report: the list contains a range of countries with distinctly different cultures, further illustrating the importance of access to the necessary skills to adapt export strategies accordingly. Additionally, the three markets where the fastest growth in demand is being experienced (USA, China and UAE) are all mentioned in the top five markets that organisations have found, or expect to find, particularly challenging.

In order to help UK businesses to establish or grow their business overseas, the modern marketer will need to offer a wider range of skills on top of those traditionally associated with the profession. When asked which skills would be most important for the marketer of the future, skills such as communication and relationship building are still deemed crucial, but a range of other attributes are also seen as equally important. These include the skills needed to deal with the challenges of exporting, in particular flexibility, business planning skills, appreciation of other cultures and the ability to adapt business strategy to different markets, as well as digital and social media skills.

The need for greater cultural awareness was voiced as a critical factor by the marketing experts that we spoke to. They believe that UK businesses need to work harder at understanding and appreciating the cultural nuances of their export markets, especially in the Far East, Russia and Middle East. The successful marketer of the future will need to develop a 'global mindset' and have a strong cultural appreciation of their target markets. Foreign language skills will be critical, with Arabic and Mandarin being especially useful.

THE MARKETS SEEING THE FASTEST DEMAND FOR GROWTH ARE ALSO THOSE WHERE MOST CHALLENGES ARE ANTICIPATED

SUMMARY

Exporting represents a considerable economic opportunity for UK businesses

ONS figures released in March show that UK exports have risen by **11.5%** from last year, to **£625.9 billion**, with manufacturing figures making the largest contribution to this growth. Exports therefore play an important role in the UK economy and have an impact on both employment levels and business growth. It is perhaps unsurprising then that CIM's study, in association with PwC Research, has illustrated that small and medium businesses that already sell goods or services overseas, and particularly those with a developed export strategy, are among the most confident of achieving further growth in the next three years.

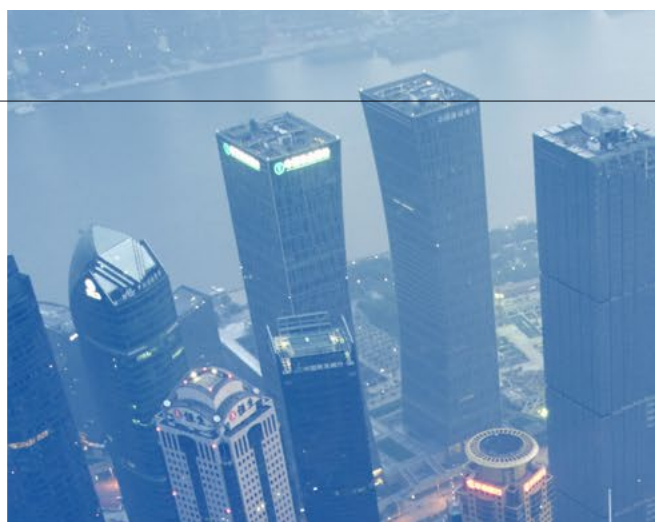
While these figures paint a positive picture, our findings suggest there is still considerable opportunity for further growth. Most of the firms who do not currently export are not planning to explore this option, at least in the short term, and while this may not be an appropriate option for all businesses, barriers relating to confidence and know-how have the potential to deter small and medium-sized UK businesses from committing wholeheartedly to an export strategy.

Marketing professionals are at the vanguard when it comes to driving the export agenda forward, but in order to do so, they need to be able to cope with an increasingly complex set of challenges. The rapid pace of technological development across the world means it is not always possible to use traditional assumptions of how a group of consumers will behave. Expectations are continuing to change, so keeping a finger on the pulse of this is critical to maximising success in any market, but for businesses looking to operate effectively in multiple regions, a flexible approach is required in which strategies can be adapted to reflect different social and cultural norms.

Marketers need support to develop the increasingly diverse skillset required to navigate a complex global market

The marketing profession has a long heritage of attracting and developing candidates with a diverse set of skills. As such, it remains in an ideal position to take on the challenge of driving the export agenda, but support will still be required in order to maximise its chances of success. Planning to specifically target customers in a previously untouched overseas market can be a daunting task for a small business, so it is unsurprising that many of the key barriers to doing so are reflective of low confidence.

It is important to cement the link between effective marketing and exporting success. CIM is committed to communicating this message and to continuing to provide evidence which supports it. This can help to build confidence among business leaders that the benefits of a well-developed, marketing led export strategy can far outweigh the risks.

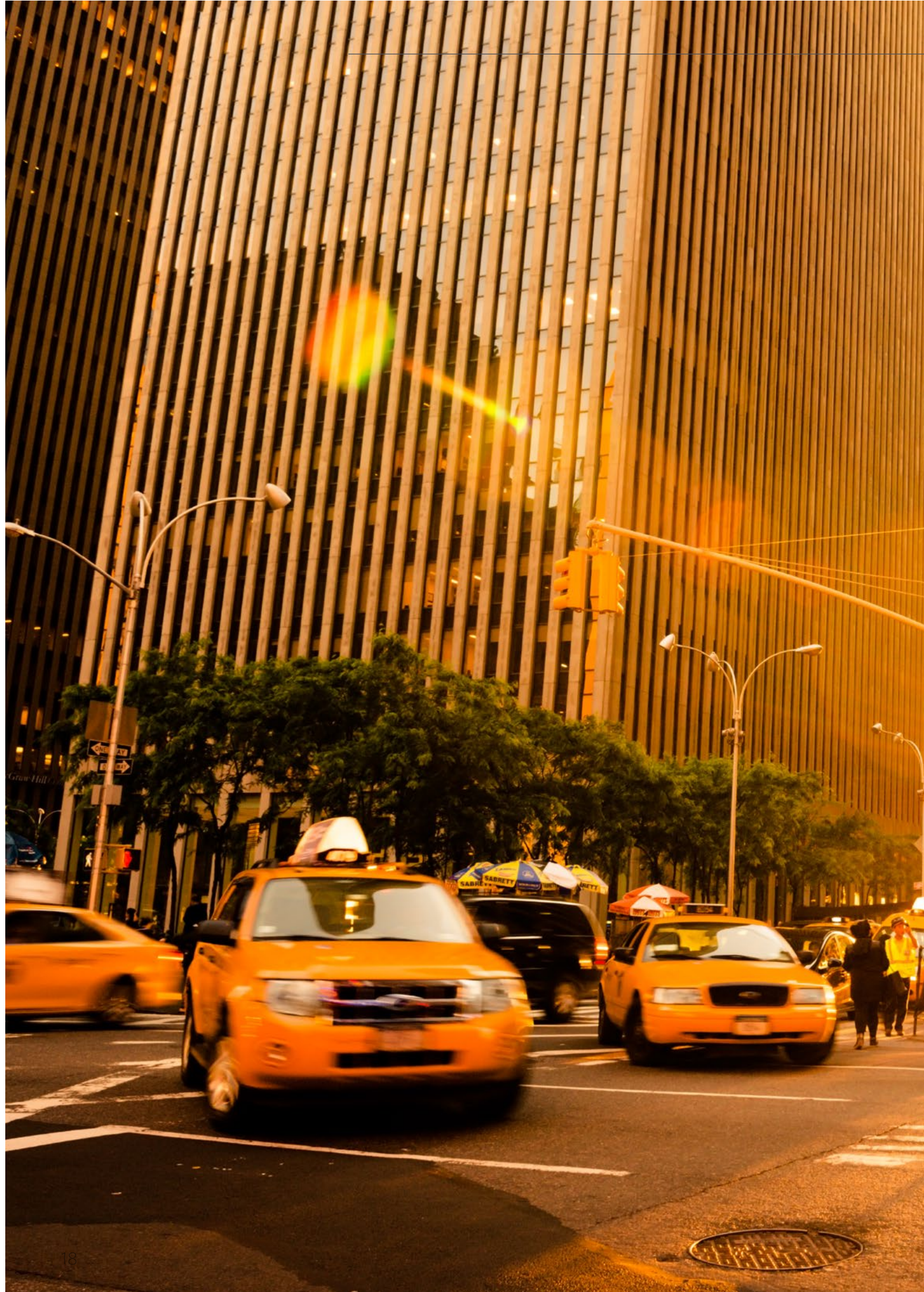


**EXPORTING REPRESENTS A
CONSIDERABLE ECONOMIC
OPPORTUNITY FOR UK
BUSINESSES**





**MARKETERS NEED SUPPORT TO
DEVELOP THE INCREASINGLY DIVERSE
SKILLSET REQUIRED TO NAVIGATE
A COMPLEX GLOBAL MARKET**





IN ORDER TO MEET THE CHALLENGES INHERENT IN EXPORT MARKETS, THE INDUSTRY MUST COMMIT TO THE TRAINING AND DEVELOPMENT OF FUTURE TALENT

The research findings described in this report illustrate that the marketing professional of the future will need a diverse and flexible skillset to be able to deal with the range of challenges that need to be addressed when developing and adapting export strategies.

It is important that businesses with an ambition to export appreciate the importance of the marketing profession and its ability to drive growth forward. Equally, businesses also need to be willing to commit wholeheartedly to employee development, so that the skillsets of marketing professionals continue to keep pace with a changing and challenging export environment.

For marketers themselves, an ongoing commitment to keeping their skills up to date and relevant can help them to reap rewards both for themselves and the businesses they work for. Marketers with proven export-relevant skills are likely to be in high demand as more UK businesses look to take advantage of the sizable opportunities available in overseas markets.

EXPORT READY: MARKET SIZE AND EXPORTING STUDY

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