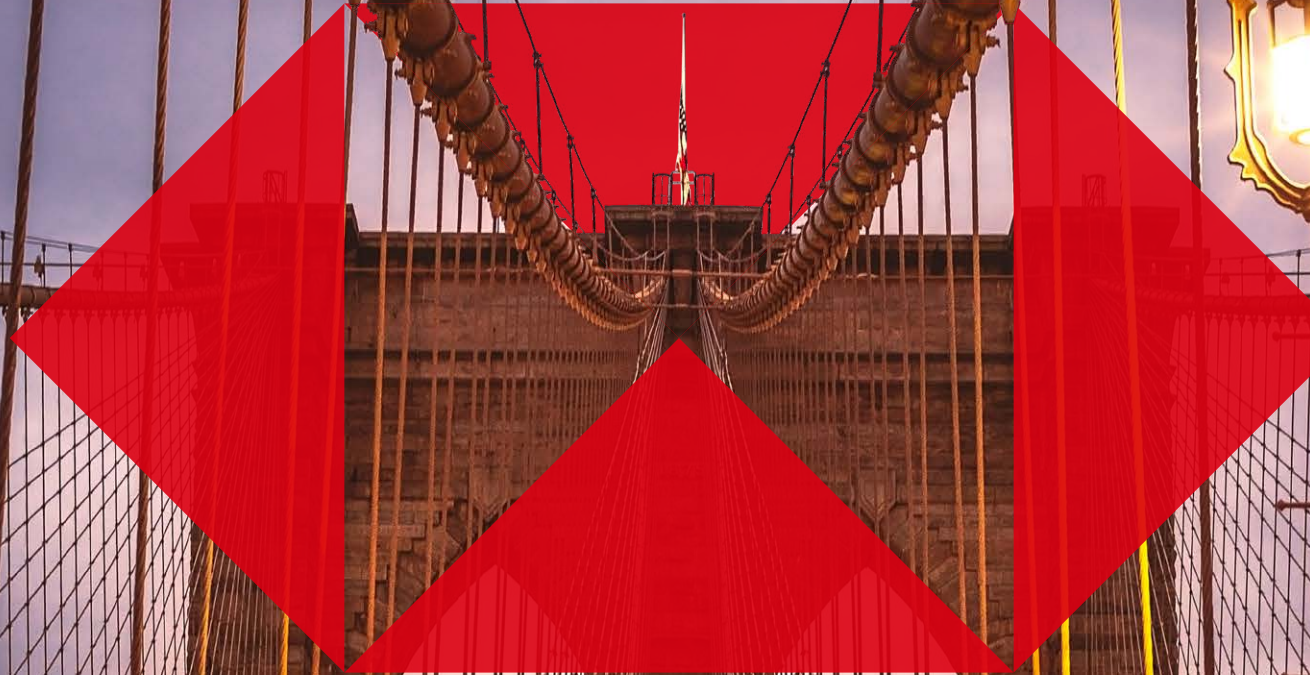


Going global for growth

Helping UK businesses
secure growth through
international expansion



HSBC UK

Opening up a world of opportunity

**PROUD
TO SUPPORT**



Contents

Foreword	03
The view from the Department for International Trade	04
Executive summary	05
Transform and grow	06
> Why international expansion drives growth	07
Adapt for success	08
> Rising to the occasion	08
> Case study – Placing talent worldwide at Spencer Ogden	11
> Quality not quantity?	12
> Flexibility is key	12
> Case study – Marmalade of London targets the world	12
Learn the lessons	13
> Case study – Scaling across multiple borders at Whyte & Ivory	15
> Making better use of free trade agreements	16
Get support to make life simpler	17
Unleash potential	18
> What successful international businesses say	20
How HSBC UK can help	21

Foreword

Welcome to HSBC UK's landmark study of the challenges and opportunities now facing UK businesses in international markets, marking our determination to support these companies as they pursue growth through overseas expansion. We believe businesses in the United Kingdom are uniquely well placed to succeed in international markets and we stand ready to help them.

In fact, the UK already punches above its weight on the world stage of international trade. Businesses in the UK export more than £600bn¹ worth of goods and services each year, and the government's ambition is to reach £1tn by the mid-2030s (when current projections indicate this will happen). In addition, UK businesses continue to launch subsidiaries and new ventures in overseas markets, enabling them to sell to local customers directly.

In order to help more businesses seize the opportunity that international growth offers, we believe it is crucial to understand their current attitudes and behaviours towards it. Are they focused on growing in international markets, and where do they see the greatest opportunities? What barriers might stand in their way? And, above all, what support is required to help businesses get past such obstacles?

This is why we have commissioned research into UK businesses' views on international expansion. The research, which captures the views of more than 2,100 enterprises in every sector of the economy and from around the country, provides a snapshot of the hopes and fears of businesses as they consider expansion in overseas markets.

The big picture is that businesses believe international trade is a crucial enabler of their growth ambitions. Many of these

businesses already trade overseas and have plans for further expansion, though others are more cautious. But all of them perceive challenges standing in the way. And whilst they are taking practical steps to overcome these hurdles, they need more support.

At HSBC UK, we stand ready to provide this, whether that is through working capital facilities tailored to a customer's trade cycle, solutions which reduce and manage international trade risks, or access to our extensive global expertise when expanding into new markets. We have a range of products and services to help businesses manage the risks of the current environment. And thanks to our local presence in over 50 countries and territories around the world, we're often at home in the markets they're targeting – banking businesses like them already.

We are determined to help every business we can to achieve its ambitions – to guide more businesses through each step of international expansion, highlighting new opportunities such as free trade agreements and growing markets, and working through problems ranging from financing to logistics. We recognise our responsibility to ensure businesses can overcome the issues identified in this research, and we are ready to help. Together, we can open up a world of opportunity.



Stuart Tait
Head of Commercial Banking,
HSBC UK

1. [Trade: key economic indicators](#)

The view from the Department for International Trade

International trade is good for the economy, good for businesses and good for the people that exporting companies employ. The Government invests significant resource and effort in helping UK companies to take advantage of opportunities to export, irrespective of whether you are a business new to overseas markets or an established exporter looking to diversify. We're glad to partner with HSBC UK in this endeavour.

Our export strategy is a 12-point plan to deliver services to UK businesses to help with that export journey, and to provide access to finance that will help them to overcome barriers to trade and make the leap abroad.

We know small and medium-sized enterprises are where we have the greatest impact – helping them is a key part of the strategy, supporting the department's broader efforts to remove market-access barriers. Our free trade agreements are critical to helping UK companies take advantage of opportunities worldwide, removing these barriers and facilitating the free flow of trade. They support jobs, growth and development. They promote exports and investment, enabling the UK to continue its recovery from the pandemic. And they will help the nation build back better and, importantly, greener.

We have undertaken the most ambitious trade-negotiation exercise in the UK's history, agreeing trade deals with 71 countries and the EU; markets that accounted for £808bn of bilateral trade with the nation in 2021.

But clearly, as this report indicates, many businesses don't know how to take advantage of these trade deals. And that's our problem to solve. Each deal is designed to make it easier for UK firms to buy or sell goods or services internationally. Businesses that trade overseas can be more profitable as they have a bigger customer base and more opportunities to boost their profits.

Any UK business that sells, buys, uses, supplies or receives goods/services from other countries could benefit from using a trade agreement. And for those that don't already trade with other countries, these agreements can make it easier for them to start. Common benefits include reduced tariffs, easier business travel, recognition of professional qualifications and simplified customs procedures. The benefits of different trade deals are published on GOV.UK so I'd encourage all UK businesses to take a look and see how they could use the deals to their advantage.

This report also highlights the need for the Government to do more to encourage UK companies to take up its fantastic, free support. The Department for International Trade's (DIT) export-promotion marketing campaign,



Andrew Mitchell, Director General, Exports and UK Trade, Department for International Trade

'Made in the UK, Sold to the World' aims to do just that, spotlighting exporters from all four corners of the nation. It also signposts to our website, [great.gov.uk](https://www.great.gov.uk), where businesses can access a wide range of information, tools and advice about selling internationally. The site also provides details of DIT offices around the UK so businesses can get in touch with their local team for support.

We know there are vast global opportunities for UK companies. And when these opportunities are seized, there are tangible benefits. Exporting companies tend to be more productive, resilient, innovative and profitable. These businesses pay higher wages, 7% on average, and are 20% more productive than those that don't sell internationally. Exporting is crucial to the UK economy – now more than ever. And it should be a crucial part of any business' plan for growth, something this report indicates there is a huge appetite for.

Selling to the world isn't without its challenges but it's achievable, with sizeable rewards for those who go for it. DIT, working with valued partners such as HSBC UK, is here to help British companies do just that.

Executive summary

This research aims to understand where UK businesses now see the opportunities to international growth, and what challenges stand in their way. It considers how businesses are pursuing their goals and what support they will need, from a variety of sources, to fulfil their potential. Our key findings include:

UK businesses are ambitious for growth and see international expansion as integral to success – so it is vital they get the support they need

- 78% of businesses are currently targeting growth, rising to 86% among those that already have international exposure
- 64% of businesses are positive about their trading prospects
- 53% of businesses with international sales say this is critical to their growth

Businesses face a broad range of challenges in international markets, but are finding ways to overcome these issues; others can learn from their examples

- 48% of businesses seeking growth cite geopolitical issues as their chief concern
- 39% of businesses are worried about the increased costs of doing business
- Businesses are adapting to these challenges with strategies including the launch of new products and services, careful selection of markets, and a focus on competitiveness

Businesses with growing international sales are seizing new opportunities and targeting global markets, including in the European Union; this offers the potential to both secure growth and spread risk

- 38% of businesses believe being ready to embrace new opportunities will help them achieve growth
- 53% of businesses are looking at expanding sales in the European Union
- North America (37%), South-East Asia (35%) and the Middle East and North Africa (34%) are also key target markets

A broad range of help is available to businesses pursuing international growth, but not enough of them are accessing this support; those that do access support value it highly – so expanding this number is crucial

- 58% of businesses have not used any of the government-backed resources provided to support international expansion
- Chambers of commerce are the resource that businesses are most likely to access when seeking help with international expansion
- 23% of businesses seek help from their bank with international sales – representing a missed opportunity for them to leverage the support, resources and contacts they can offer

A large number of businesses are yet to begin selling overseas, but have ambitions to do so; the potential to unlock growth, including for the UK economy, is huge

- 8% of UK businesses are not currently trading internationally but have ambitions to begin doing so – the equivalent of 448,000 businesses
- 72% of the businesses are at an early stage of going international, and therefore need more support
- Concern about the UK domestic economy and geopolitical risk are the challenges most likely to hold them back from starting their international growth journey

About this research

This research is based on survey responses from 2,100 businesses in the UK, with research carried out during August and September 2022. All businesses taking part had annual turnover between £100,000 and £1bn.

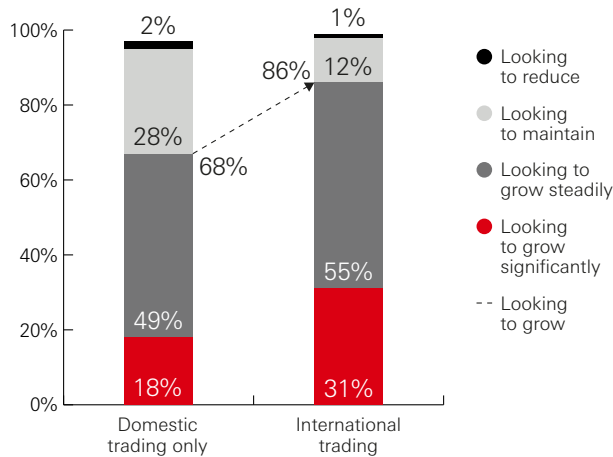
Transform and grow

Businesses are ready to grow, and they increasingly recognise that international markets represent their best chance of transforming their business potential.

Despite tough headwinds, including geopolitical uncertainty, economic volatility and sharply rising costs, UK businesses are confident, outward-looking and, above all, ambitious for the future. More than three quarters of the businesses we surveyed (78%) say they are now targeting growth. That includes 25% that see the potential to grow significantly.

Indeed, more than half of businesses (64%) remain positive about their prospects; they are optimistic about achieving their growth ambitions. Even among the one in five businesses that currently have a more negative outlook, the majority are still striving for growth.

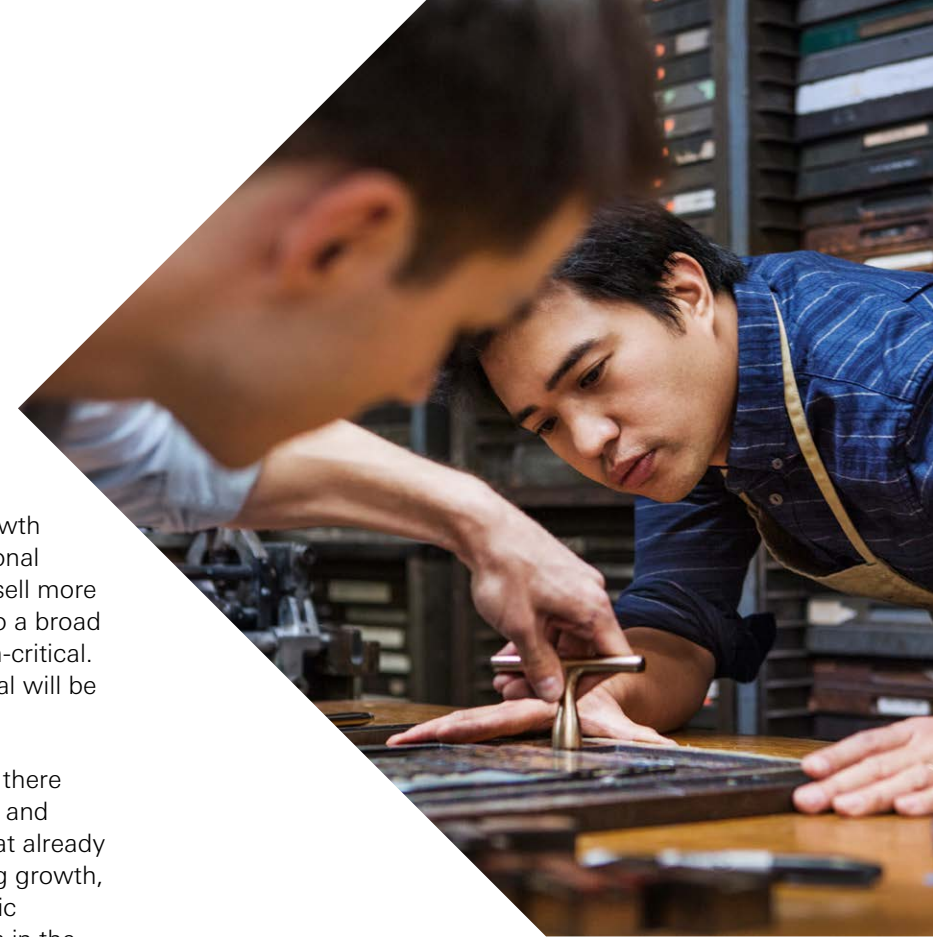
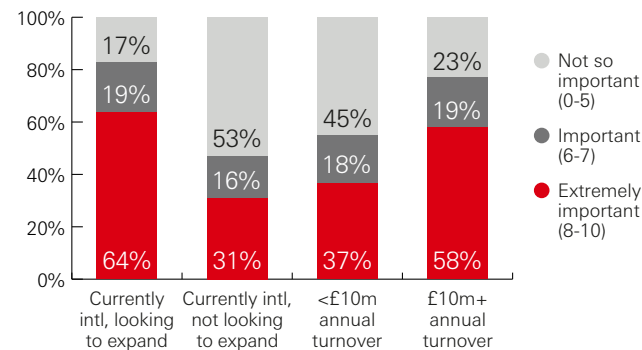
Business growth ambition in next two years



How, then, will businesses achieve their growth ambitions? This research suggests international expansion – the ability of UK companies to sell more goods and services overseas, and to tap into a broad range of new opportunities – will be mission-critical. Transforming in order to become more global will be critical in unlocking growth.

Many businesses recognise this imperative; there is a clear link between confidence, ambition and international outlook. Among businesses that already make overseas sales, 86% are now targeting growth, compared with only 68% of entirely domestic enterprises. Around half of those businesses in the former category (53%) say their overseas ventures are critical to their growth prospects.

Importance of international trade for future growth



Size is certainly a factor in this regard. Larger businesses, with annual turnover in excess of £10m, are more likely to be targeting growth. Similarly, those businesses that currently have some form of international exposure are also more likely to be hungry to increase their exports and expand internationally. The confidence created by initial successes in international expansion prompts businesses to double down.

However, many smaller businesses are also intent on achieving growth. And different experiences of working with international partners is helpful. Indeed, in this research, businesses that currently import goods or services into the UK as well as export are even more likely to be targeting growth than those who simply export.

Why international expansion drives growth

Despite challenging market conditions over the last couple of years, international trading businesses are more likely to say their trade has increased: 39% point to increased sales compared to only 20% who have seen sales fall back. And those businesses looking to expand further internationally are even more likely to say trade has increased (45%). Moreover, the more markets in which these businesses operate, the more growth they have achieved, courtesy of greater opportunity and increased risk mitigation. Those now targeting further growth point to strategic change in key markets as a driver of their growth, alongside increasing demand from customers in these markets.

Many of these businesses are now looking to step up the pace. Those with expansion ambitions are more likely to operate across a number of overseas markets – benefiting from a range of different types of opportunity, as well as securing risk management advantages from their diversification.

“**Global Britain is a key theme for growth-hungry businesses. While many businesses expect and hope to grow domestically, huge opportunities can be found in overseas markets, allowing businesses to accelerate growth and mitigate risk at home,**” says James Cundy, Head of Mid-Market Corporate & Structured Finance for HSBC UK.

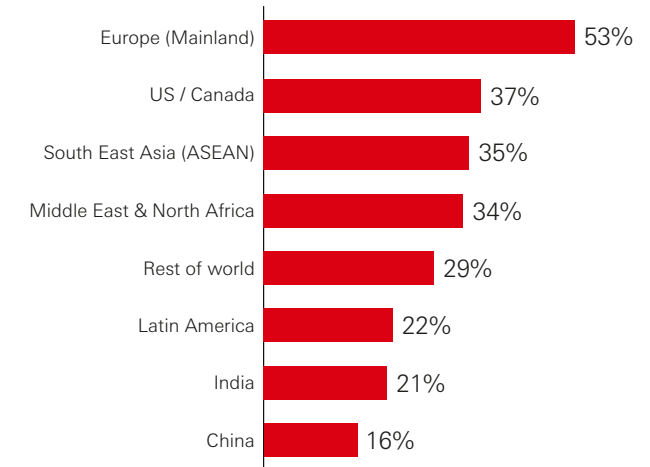
Indeed, ambitious businesses have global aspirations. They are looking close to home: they regard the UK’s nearest neighbours in the European Union as key target markets, with 53% seeing potential for expansion here. But they are also ready to look further afield: North America (37%), South-East Asia (35%) and the Middle East and North Africa (34%) are all regarded as offering exciting opportunities. Some 16% plan to increase trade with China, or begin selling there for the first time.

Looking more globally provides even greater opportunity to diversify and grow, argues one business services company that took part in the survey. “We see inflation and recruitment as challenges, but growth in the US and Asia offers opportunities,” it says. “We will be accelerating our growth in countries where we do not have a presence.”

The range of these businesses’ ambitions is impressive. One in three hoping to grow expects to expand into new markets; and one in four expects to set up a physical presence in the markets they are targeting. Almost half (45%) are seeking new buyers and suppliers.

Some businesses have even more proactive plans for overseas expansion. One in five is on the lookout for potential merger or acquisition targets as they seek to increase their international footprint. More than half of these businesses (55%) describe themselves as ready

Markets where UK international businesses looking to expand further are expected to increase / start trading



to take advantage of specific opportunities as they emerge. The current turbulence, after all, will, as well as challenges, throw up exciting new possibilities for confident and positive businesses.

“**When businesses are looking to enter an unfamiliar and new market, it’s important they do so in a controlled and strategic manner. The key is to consider the balance between ambition and growth aspiration, and the needs and demands of the new market. If you’re entering a new market that is materially different to your home market – in terms of language, rules or legislation, say – one option could be a joint venture with a local business to further mitigate risk,**” says HSBC UK’s James Cundy.

Adapt for success

Success in international markets is not always straightforward, but businesses are adapting in order to grow, despite uncertainty and volatility.

The benefits of increased international expansion are clear. Businesses able to succeed in overseas markets see the potential for increased revenues (regarded as a benefit of international expansion by 61%), the chance to exploit specific opportunities (33%) and the possibility of greater competitiveness (29%).

Rising to the occasion

Securing those benefits, however, may not be so simple. To achieve their growth potential in overseas markets, businesses are having to adapt.

The businesses in this research certainly recognise the challenges. Almost a third (30%) agree that launching into international markets can be difficult. A third point to the potential for increased costs (34%) while almost as many (33%) warn of the need to deal with more regulation. Many are already acting to overcome such hurdles. They are taking positive steps in order to ensure

these challenges do not prevent them seizing the opportunity in attractive markets overseas – almost 80% of businesses in this research are able to point to clear examples of where they are addressing specific problems. And in most cases, these businesses are also planning further actions – there is a clear opportunity to learn from one another to move forward.

The first step is to identify the hurdles most likely to stand in the way of international expansion. Some of those might be considered more macro in nature: for example, 42% of businesses are worried about geopolitical risk, with larger businesses and those with clear intentions for further expansion feeling especially anxious. Similarly, 29% point to the regulatory burden that overseas expansion can create.





“ Accessing local expertise is a good way to begin overcoming these anxieties. Speaking to people on the ground in each market, you can find out how they are dealing with the specific concerns you are worried about – and get insight on other issues you should be thinking about. You will also find many professional partners and stakeholders who are willing to share their insights and experiences, ranging from logistical issues to strategic initiatives that you should consider,” says Ben Whitlock, Regional Director (London) of HSBC UK Global Trade and Receivables Finance.

Other challenges are more industry- or business-specific. For example, overall, 38% of businesses are worried about higher costs, 30% cite the difficulty of labour shortages, and 29% are nervous about supply chain and logistics problems. But these numbers spike higher in certain categories. Businesses that import, as well as export, are understandably likely to be particularly fearful of supply chain problems and rising costs; those with a physical presence on the ground overseas tend to worry more about labour shortages.

In this context, while there are solutions that many businesses will want to consider adopting, the exact nature of their response to the challenges of international expansion will be highly individual. Indeed, actions taken by businesses participating in this research to clear hurdles to international growth vary considerably.

International business challenges 2023



One area of focus for many businesses has been new product development. Some 45% of businesses – and 50% among those hoping to grow – say they have developed new products (or adapted existing products) as part of their efforts to grow internationally. Many recognise that products that sell well in one market may need to be adapted or even replaced if success is to be replicated elsewhere. “We listen to local customers and potential customers in order to address product gaps,” says one large IT company, while a technology company adds: “When we’ve expanded into new markets, we’ve altered the product to suit local demands and drive adoption.”

Equally, many businesses are focusing on cost, with 40% say improving their competitiveness is a key focus. Two thirds of these respondents are also focused on new product development, underlining the connection between these two factors.

One strategy for cost efficiency is supply chain and logistics reform. “We are now using a shipping company that ships large amounts with leading logistics firms so that it can offer cheaper shipping rates than we are offered as a small company,” says one production business. A manufacturer adds: “We looked for synergies and efficiencies throughout our supply chain, withdrew from unprofitable accounts, and worked more closely with suppliers and customers to guard against market fluctuations.”

In other cases, businesses are thinking hard about distribution channels. In particular, 41% say they are making more use of digital services as they pursue overseas opportunities. For example, ecommerce can provide businesses with a quick and efficient route into a new market – a way to test demand on the ground without committing significant resources to the country. In this sense, leveraging technology and digital solutions is unlocking new international opportunities for many businesses.

Another strategy pursued by many businesses is to increase the number of countries to which they sell. Almost a quarter of those with expansion intentions (23%) say they have changed the markets they’re targeting for overseas growth. They’re also adapting to ensure they can serve these markets effectively; 30% of such businesses have changed suppliers. “We have started to use the services of overseas companies more in the development of our products to reduce costs, and we have hired a more diverse workforce to help us localise our products,” says a technology business.



Placing talent worldwide at Spencer Ogden

Recruitment business Spencer Ogden has made it a strategic priority to expand its global presence and now operates a multi-continent network of 13 offices serving projects across more than 40 countries. Discover how the company harnessed the ingredients needed for new markets, with HSBC working capital.

FIND OUT MORE



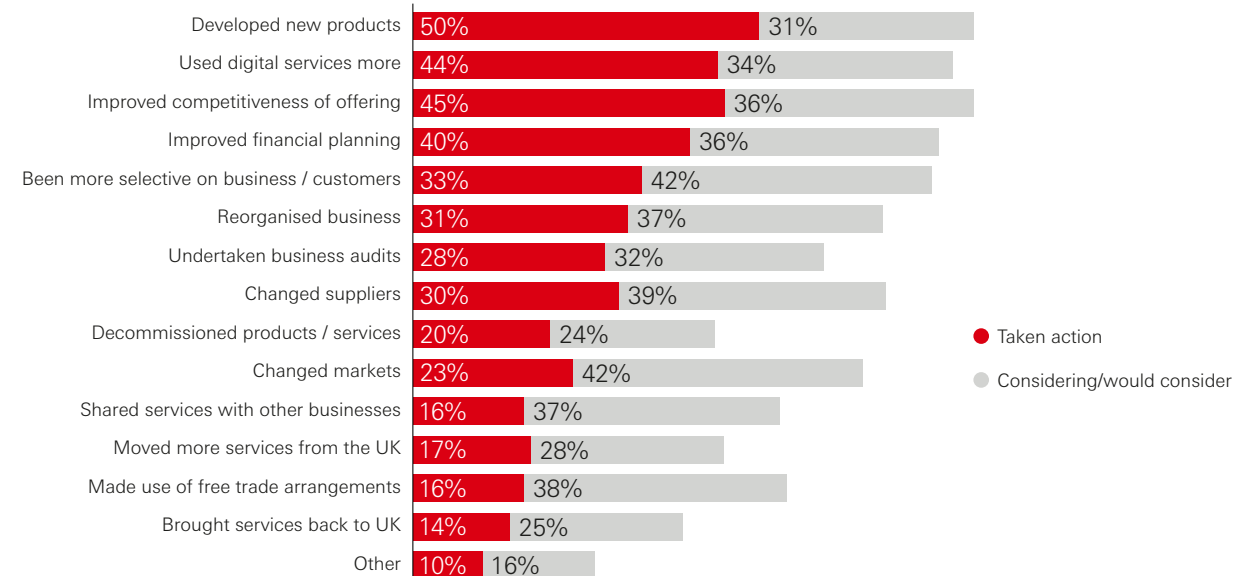
“Be crystal clear on the legal and commercial terms of business you’re signing up to as you target new markets and work with new partners. You may need help here from those with experience in the market – for example: are the terms you are being offered standard in this new market, or is there room for negotiation? In particular, be very precise around incoterms: for cross-border sales, these become even more important as they dictate where the transfer in responsibilities from seller to buyer will take place; this can have wider cost implications when trading overseas compared to domestically,” adds HSBC UK’s Ben Whitlock.

Elsewhere, businesses are focusing on ensuring they have the financial resilience to support their growing international activities; financial planning is crucial to manage the cost challenge. This becomes ever more necessary as businesses build more complicated and

committed models for overseas growth. For example, 49% of businesses that import say they have improved their financial planning capabilities – of particular importance considering their potential vulnerability to cost increases – and 49% of those with physical presences in overseas markets say the same.

“Businesses will face upfront costs but they also need to consider the impact on their working capital positions – by expanding overseas, businesses are potentially exposed to longer transit times, which elongates their cash conversion cycle. Plan ahead so you have the right levels of liquidity to maintain the right levels of stock and can meet immediate demand. For businesses already sourcing from overseas, there may be natural efficiencies available from adapting existing supply chains to keep transit times to a minimum,” warns HSBC UK’s Ben Whitlock.

Actions taken by international traders looking to expand



Quality not quantity?

As businesses seek to grow their overseas sales, they may be tempted to target new customers wherever they are found. But one stand-out lesson from the successful international businesses taking part in our study is that there is value in being choosy. Some markets and customers will naturally be more profitable than others and, while diversification brings risk management benefits, there can come a point where these are overshadowed by diminishing returns.

This is why 31% of businesses in our study say they have become more selective about the customers they do business with, and a further 39% are considering or would consider doing the same. One in five businesses (19%) have decommissioned products or services.

Marmalade of London targets the world

Candle and fragrance maker Marmalade of London has grown from trading in craft markets to an established brand, and the business's global ambitions keep evolving. Now trading overseas with a fanbase in North America, find out how the luxury brand is scaling its 30% export turnover to greater heights in new markets with the help of HSBC.

FIND OUT MORE



This makes sense. If selling in international markets increases costs for the business, it will be important to prioritise those customers and products that generate the greatest – and most reliable – returns. It is important to recognise there will be a point where it is not viable to serve a particular market or to continue selling a particular product or service. Equally, diversifying across more markets can reduce risk, in that businesses are less dependent on any one geography; but that benefit must be weighed against the increased risk of transacting in unfamiliar markets where the business has yet to test its proposition.

Moreover, the point of viability may change according to market conditions and the broader economic backdrop. "We are now more rigorous when checking the financial position of potential clients," says one construction company of its approach to international sales in this period of uncertainty. "We turn down work where we feel the financial security is not there."

Equally, some markets may simply prove more practical than others. **"You may find it easier to operate in English-speaking markets, at least to begin with; you may need to look at time-zone differences so you have personnel available who can provide real-time support in the new market. Or you may be looking for a market with stronger growth prospects to offset slowing growth in the UK,"** says HSBC UK's Ben Whitlock.

Flexibility is key

One lesson that many businesses learnt the hard way during the Covid-19 pandemic was that supply chains overly reliant on a single supplier or supplies from a single territory are vulnerable to disruption. According to the research, many businesses are now responding to this concern.

However, there is no one-size-fits-all answer to supply chain issues. While more than a third of businesses with international sales say they are now onshoring or considering doing so – that is, bringing services back to the UK – almost 40% are considering moving more services overseas or have already done so.

The key is to find the supply chain and logistics solutions that best fit the business and the markets in which it trades. "We have sourced alternative suppliers – while we previously sourced mostly from Europe, now most of our suppliers are in the UK," says one construction business. "We have also introduced a new finance software to improve tracking, and reorganised to streamline decision making."



Learn the lessons

Successful international businesses are pursuing similar strategies and identifying the most lucrative markets for growth. Those hoping to emulate them can learn lessons from how these leaders moved forward.

Businesses that are determined to grow recognise the need to be both nimble and strategic. Sometimes it is important to move quickly. Nearly 40% of those questioned say they are ready to make the most of new opportunities as they emerge; that might be anything from a customer in one market asking the business to supply a different type of product, to a new trade agreement unlocking opportunity in a market elsewhere. Equally, however, planning ahead is key. Many of the solutions to the challenges identified in Part 2 of this research require a well-considered and sustained response.

The most successful businesses in this survey have recognised the need to be both considered and decisive. They have focused on which markets are seeing demand growth, how to make strategic changes to capture new opportunity, and how to become more competitive.

Factors that led to an increase in international business since 2019





In addition, successful businesses have thought carefully about which markets now offer the most attractive opportunities and they are now executing on their plans.

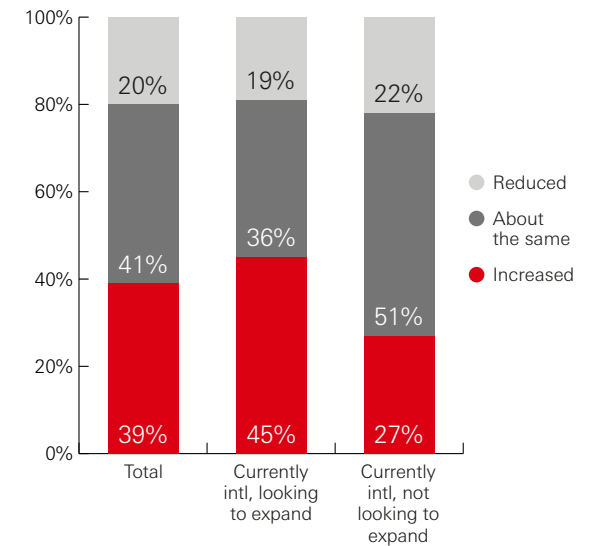
“ Identifying the right market is a process of studying in detail which opportunities are strongest for your sector and your business. Working with sector experts and local market experts, look for the intelligence and insight you need to build the business case for expansion,” says Cora McLaren, Head of International Subsidiary Banking, HSBC UK.

It is important to reiterate that the European Union is close to the top of the list of target markets for significant numbers of UK companies. As Part 1 of this research revealed, 53% of businesses currently regard the EU as offering potential for expansion.

Our research shows that the UK’s withdrawal from the EU has made trading with the bloc more difficult in some regards, introducing regulation and red tape where previously there were few obstacles. Naturally, this has caused frustration. Seven in 10 businesses that have seen international sales fall back over the past three years cite such issues as a factor – and among those businesses not currently expecting to increase their international activity, one in four say the UK’s withdrawal from the EU is a factor in that thinking.

Overall, four in 10 businesses have still seen international turnover grow since 2019. And the EU remains a hugely attractive market to UK companies, offering a population of 450m people within easy reach of good transport links. It is a region in which many businesses have strong relationships developed over many years – and a good understanding of the nuances of local markets. Most EU countries also score highly on all international comparisons of the ease of doing business².

International trade contribution vs 2019



This is why so many UK businesses targeting further international expansion are putting the EU at the centre of their plans. The challenges of EU trade should not be overlooked, but many businesses remain committed to deepening and broadening their sales to EU nations. They are therefore finding practical workarounds. "We have re-routed our supply chain to avoid the UK where possible to simplify our logistics," says one manufacturer. "We have also encouraged our EU operation to do more to find its own customers rather than just relying on the UK team to perform the sales function."

Scaling across multiple borders at Whyte & Ivory

Lancashire-based fabrics wholesaler Whyte & Ivory was struggling to grow internationally when it couldn't easily take payments across borders. Explore how this husband and wife team overcame their international growth challenges to establish their business in Europe, and now have their sights set on further expansion in the US.

FIND OUT MORE



This is not to suggest, of course, that businesses are not also looking further afield. The number of businesses excited by regions such as North America, South-East Asia and the Middle East and North Africa, and countries such as India and China, underlines that point very clearly.

Indeed, the most ambitious businesses are pursuing opportunities on multiple fronts. They are determined to continue building sales in the markets they are familiar with – but also to break into new markets, including in areas of the world where UK trade has only recently begun to find its feet.

“**Think about the right way to structure as you expand. Do you need people on the ground in your chosen market? If so, how will you manage issues such as payroll and tax? Will the business be self-financing from day one? Will it have local independence? Don't be afraid to seek help with these issues,**” advises HSBC UK's Cora McLaren.



Making better use of free trade agreements

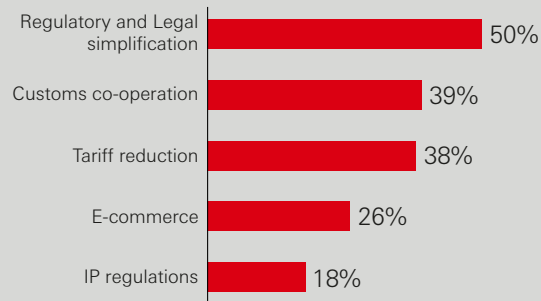
The UK continues to pursue free trade agreements (FTAs) with countries and regions around the world, but this research suggests many businesses remain unsure about how to take full advantage of such treaties. Only one in five businesses currently making international sales feels an FTA has unlocked new trade opportunities, though the figure rises to one in four among ambitious businesses with plans for expansion.

Some businesses do recognise the benefits of FTAs. In particular, they cite the benefits of reduced regulation and simplified legal arrangements; they also appreciate the benefits of an easier route through customs.

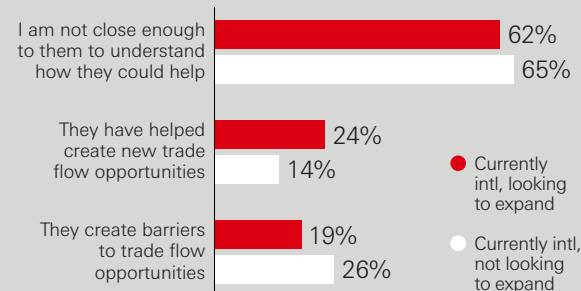
Others, however, remain unsure, with 63% of businesses conceding they do not have a full understanding of how FTAs might help them in international markets; and while only 20% say they have helped, many more are thinking about how they could prove useful. These businesses may need more help to take advantage of the opportunities that FTAs undoubtedly offer.

“ The UK has a number of FTAs under negotiation and businesses can benefit from these. For example, the India FTA is well advanced and seeks to ease trading arrangements in a range of sectors from textiles to manufacturing, chemicals to glassware. The key is to explore the opportunities that might be relevant for your business and to work with organisations such as your bank, chamber of commerce and the Department for International Trade to find the best ways to unlock them,” says HSBC UK’s Cora McLaren.

Areas of FTA most important



Use of FTAs



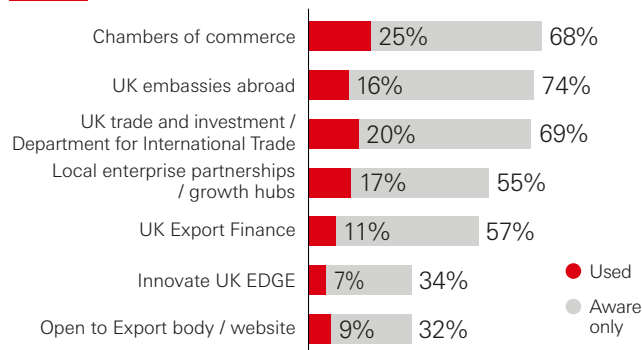
Get support to make life simpler

The perception is that trading internationally is complicated and challenging, but getting the right kind of support can unlock simplicity.

Targeting new markets and expanding internationally puts new demands on a business; the uncertainties and risks of overseas expansion may feel daunting, even if the prize on offer looks attractive. However, there is an enormous amount of support available, from both public and private sector actors, that can help UK businesses succeed overseas.

For now, many businesses are barely scratching the surface of what is available. For example, Government export support, marshalled by the Department for International Trade (DIT), includes a wide range of information and guidance on great.gov.uk as well as services provided by DIT teams around the UK and overseas. Yet 58% of businesses trading internationally have never accessed any of this help while seeking to build out their activities overseas.

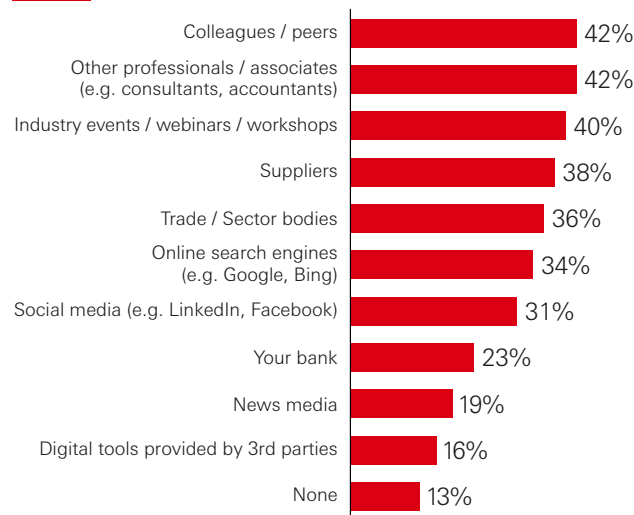
Government backed resources usage



Similarly, only one in four businesses participating in our study have looked for help and support from their bank. That represents a missed opportunity to leverage the support, resources and contacts of banks with substantial international footprints.

Instead, businesses are most likely to turn to their peers for support with their international activities, consulting with industry colleagues, working with industry advisers and attending industry events. Chambers of commerce also provide a useful platform via which to reach out for back-up.

Other sources that help with international needs



There is nothing wrong with businesses choosing to look to their existing networks for help as they consider new opportunities in overseas markets; their peers may well have first-hand knowledge of what it takes to succeed in a particular market, and they may even be able to supply key contacts for partners and advisers on the ground.

However, it would be a mistake to overlook the panoply of support available from other sources – in particular, the resources that the UK Government has made available. Businesses in this research that have taken advantage of such support speak highly of it; more than two thirds (69%) describe the DIT as having proved helpful, for example.

The onus is on advisers, including banks, to make more support available and ensure access to it is simple – and to work in partnership with the Government to ensure businesses know where to find the extensive support already available. One business complains: “We are looking to trade in local currencies, but the challenges of duties impacting our bottom line are not easy; there should be a one-stop-shop that enables us to find out what duties will be applied, and at what rate per country.”

Unleash potential

A small yet significant number of businesses are not currently trading overseas but are thinking about doing so. These firms have a huge opportunity to grow by seizing the moment.

This research suggests that 8% of businesses in the UK are not currently trading internationally but are thinking about doing so in the future. In numerical terms, this means no fewer than 448,000 UK businesses aspire to begin selling their goods and services overseas for the first time. These businesses also have more ambitious growth ambitions – clearly, they recognise the potential of international growth to help them fulfil these.

Even if not all of these businesses ultimately succeed in turning aspiration into reality, this represents a huge opportunity for those that do to prosper and grow and, more broadly, to boost UK economic growth, supporting job creation and tax revenues. Helping as many of these businesses to succeed as possible is therefore vital.

The key is to capitalise on such businesses’ ambitions. While almost three quarters of them (72%) concede they are currently only at an early stage of exploring international expansion, they are determined to move forward. Almost all are intent on growing over the next one to two years, with one in three now targeting significant growth. And they recognise the role that international expansion can play in that; more than half expect overseas markets to prove important to their future growth prospects.

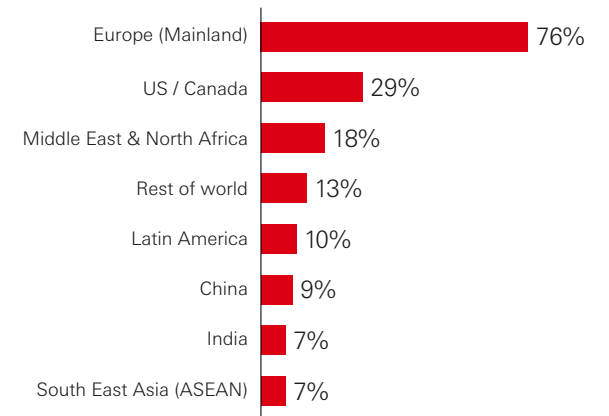
Activities to support expansion in 2023



Many will naturally start cautiously. For example, these businesses are less likely to have plans to establish a physical presence in an overseas market than counterparts that already have international experience; their first step will be to sell into these markets from the UK. They are also focused on markets nearer to home;

three in four intend to focus on the EU, underlining the ongoing importance of the bloc to UK businesses even in the wake of the UK’s departure. Almost a third see North America (29%) as an attractive market, and there may be opportunities to help them identify target markets further afield.

Markets future international businesses are expecting to start trading



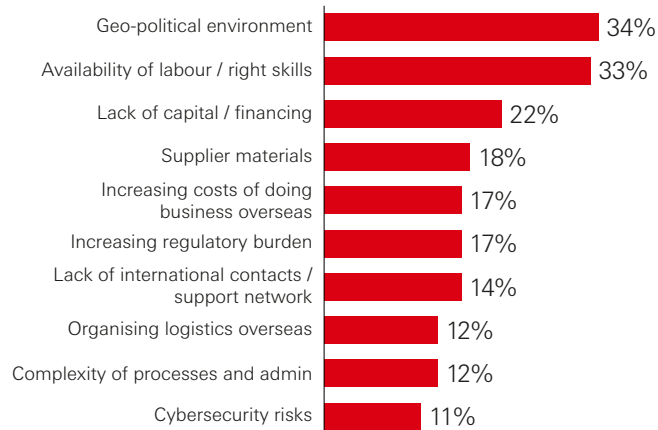


Some of these domestic-only businesses – more than one in three – are already eyeing specific opportunities, rather than mulling a more general intention to begin trading overseas. The rest may need additional support as they settle on how to execute on that strategy – too few are currently turning aspiration into reality and need help to take the next step. The existence of free trade agreements, for example, may help them identify new markets; one in three believe FTAs could be helpful in driving new trade opportunities.

Nevertheless, there will be challenges to overcome. Many of these businesses are anxious about the deteriorating economic picture in the UK, where they currently derive all their revenues; this may limit their capacity for expansion. They are also nervous about the geopolitical uncertainties of international markets.

Then there are practical issues. Labour shortages and skills gaps are a particular concern for many of these businesses. And rising costs also loom large; already, one in five say they have had to turn down new business opportunities because of prohibitive costs.

Expected challenges amongst those businesses looking to start trading internationally



It will therefore be imperative to guide these businesses through the pitfalls – to help them realise their overseas potential with practical support and meaningful advice. That may require more signposting of advice. Like their already international counterparts, these businesses are not taking full advantage of government-backed resources, though awareness of what is available is high. Rather, they are more likely to turn to informal and unstructured sources of advice: online searches, for example, or conversations at industry events.

Banks can play a key role here, too. Already, three in 10 businesses considering expanding overseas for the first time point to their bank as a useful source of advice and support in furthering their ambitions.

“There’s no doubt that trading and doing business overseas is challenging in today’s environment – but despite that, UK businesses still see international expansion as a clear opportunity and an essential pathway to growth. HSBC UK business banking can open up a world of opportunity, supporting businesses as they expand into new territories,” says Peter McIntyre, Head of Business Banking, HSBC UK.

Businesses that already trade internationally agree. Their advice is simple. “Just do it,” says one such business. “Exporting is easier than people think and, with multiple markets, it makes the company safer.”

What successful international businesses say

Many of those businesses now succeeding in markets around the world are keen to encourage others to follow their lead – and are happy to share what they have learned about what it takes to grow in overseas markets. Many of the businesses taking part in this research offer valuable advice. This includes:

- **Plan, but be brave.** Thinking and planning overseas ventures inevitably takes time, but successful exporters warn others not to delay for too long: go for it. “Go into the situation with your eyes open, but follow what look like good opportunities,” advises a manufacturer that has a good track record in overseas markets
- **Understand your potential customers.** Are there enough customers for the market in question to be viable – and do those customers look robust? “Use all your expertise to plan a strategy for your market,” says a leading wholesaler that sells internationally
- **Recruit a team with local expertise.** Make sure you have people who understand the markets in which you operate in real detail, and communicate with them constantly. “Keep in very regular contact with the people running the operation locally,” says a leading business services company. “Don’t just assume things will happen.”
- **Look for help.** The more support you can get from those with expertise and experience, the better your chances of international success will be (see Part 4 of this report for more on who can provide such support). “Don’t be afraid to seek help,” advises a professional services company that has entered several new markets
- **Diversify to spread risk.** Look to operate in more than one market, in order to spread your customer base, and spread risk on the supply side, too, by avoiding dependency on any one supplier. “Strengthen your supply chain so that you have more than one supplier and, ideally, from more than one country,” says a respondent from a large education business with strong overseas sales
- **Expand from strong foundations.** Your business must be sure its finances are strong enough to support overseas expansion, particularly since it may take time to recoup the upfront costs. International markets will add to demands on cashflows and necessitate renewed focus on payments; foreign exchange adds to financial management complexities. “Different cultures bring different attitudes towards paying suppliers,” warns a leading professional services company



How HSBC UK can help

HSBC UK offers a range of specialist advice and support, including tailored financial solutions, that can help your business expand successfully into new global markets.

This research reveals businesses have real ambition to grow internationally but that they face challenges and complexities as they pursue this ambition. It also shows that only 20% of businesses currently look to their bank for support with international expansion. We would like to see that figure rise, given that banks can help across such a broad range of areas – from advice and insight as companies select and enter new markets, to finance for trade, to enabling international transactions, to solutions that minimise risk.

At HSBC UK we already support companies across more than 50 countries and territories. In addition to practical advice and counsel, we offer a range of products to support your business as it grows internationally. We will work with you to achieve your global ambitions, tackling each challenge and opportunity in turn. Below are just a few of the ways we can help.

Helping you target new markets worldwide

Our global footprint enables us to facilitate \$799bn of trade annually. We are one of the world's strongest banking partners, recognised by our clients as the best trade bank in the world³.

Businesses value our “on the ground” knowledge and global payment capabilities when navigating the challenges of international expansion. We offer bespoke financial advice from local relationship managers and global relationship managers, and we can connect you to businesses in new markets and help you navigate local legislation and cultural considerations. We can also introduce you to useful and supportive external partners, such as the Department for International Trade and UK Export Finance.

As you establish a presence in new markets, our International Business Banking team can support your journey from opening an account to securing a wide range of associated banking facilities in each local jurisdiction. And as your business expands, International Subsidiary Banking will also become more important. We can support your business with local banking services as it sets up subsidiaries in markets around the world, giving you greater visibility and control over your global financial position. We are structured to mirror the way you work, across both parent and subsidiary levels, with dedicated contacts globally and locally.



3. [Euromoney Awards for Excellence 2022: "World's Best Bank for Trade Finance"](#)



Helping you seize opportunities

A weaker pound has helped exporters over the past 12 months, and UK suppliers with a proven track record are well-placed to win business with new buyers abroad. Developing internationally enables businesses to source suppliers in alternative markets to stay competitive, and can open up new labour markets to help you tackle skills shortages.

To take advantage, you will need to keep costs under control, manage cashflow, particularly as supply chain and logistics complexity grows, and stay on top of risk. We have a broad portfolio of trade and receivables finance products that enable you to release funds from sales, inventory and supply chain. We can also increase the efficiency of your transactions and payment terms to reduce the cost of funding, both for your organisation and for your suppliers. Our tailored supply chain finance programs deliver working capital to your suppliers.

Helping you handle currency and foreign exchange

Foreign exchange services are another crucial piece in the jigsaw. We can help you manage the challenges of working with multiple currencies across the markets you serve. With a comprehensive range of solutions to match your needs: from international payments, to managing foreign currency balances, to hedging against currency fluctuations, our Global Markets experts are experienced in guiding and supporting our clients through international development.

Our customers receive the ongoing support of our global Corporate Sales team located in 49 countries and territories with local knowledge of the countries that you want to expand into. We also have an award-winning

Global Research team, who produce topical, timely and relevant insight not only on currency movements but commodities, bond yields, global stock markets, macroeconomics, and technology trends, delivering thought leadership and actionable recommendations to help you make informed decisions.

Our digital platforms have been designed to enable you to service your foreign exchange requirements with ease and simplicity online.

Helping you manage international payments and receivables

With a focus on control and visibility, HSBC Get Rate, which is available on both HSBCnet and Digital Business Banking, allows you to view and approve the FX rate up front on payments in over 60 currencies from your HSBC UK account before final transaction authorisation. For any of your new or existing payment counterparties, these payment platforms will let you know if our records indicate the beneficiary account is held in a specific currency, and you can then make the choice to send that currency and make the conversion at a known rate up-front using Get Rate.

Alternatively, through our award-winning HSBC Global Wallet, you can hold multiple currency wallets and pay and receive 'like a local' as if you are in the same country as your customer or supplier, taking advantage of local payment systems to reduce payment costs and meaning funds can potentially arrive faster. If you receive and pay in foreign currency, you can hold the balances in your wallet alongside your current account, and then use those funds to make payments at a later date, offering more control over working capital.

For anyone regularly making a large number of low-value cross-border payments, our Global Disbursements service combines HSBC's FX services and payments services into one seamless process. You can make cross-border payments in more than 130 currencies from a single operating account.

Helping you manage risk

Our specialists work closely with you to implement strategies that improve visibility and cost control across your entire organisation. Our solutions, including purchase order financing, letters of credit, import and export loans, and trade insurance will help you capitalise on increasingly global supply chains and sales opportunities. We can help you widen your supplier pool, enabling you to reduce inventory costs and offer competitive pricing.

In addition, we can help you integrate risk management alongside your working capital and trade finance management processes. We'll help you to reduce price and currency volatility in the sales and supply chain, while strengthening strategic partnerships with effective working capital and inventory finance solutions.

For foreign exchange risk management, HSBC Evolve offers you an online platform with a fully integrated execution journey, from pre-trade through to post-trade across FX Spot, NDFs, Forwards, Swaps, Orders and Options. We also have Global Markets teams on the ground to help you navigate your FX needs, throughout your international journey.

Helping you embrace digital transformation and connectivity

We know growing numbers of businesses are attuned to the growing role of technology in supporting international trade. Our market-leading products simplify international trade and help make it simpler and more profitable. And through our enhanced connectivity, you can access these products and services in the way that suits your business best.

Our investment in technology helps you to be more agile when reaching new markets and new customers. In September 2022, we launched HSBC Trade Solutions, which enables you to originate and manage all your trade in one place. We continue building digital solutions and are automating our systems through application programming interfaces (APIs) to help international businesses bank digitally.

We are always looking for new ways to meet our customers' demands and we recently launched HSBC Currency Zone, a site to check, track and chart HSBC's mid-market FX rates and access HSBC Global Research and insights.



Find out more

If you'd like to discuss your international ambitions and how HSBC UK could support you, from ways to finance your plans to how to tackle potential barriers, please request a call back below and a member of our team will get in touch.



[BUSINESS.HSBC.UK/CALLBACK](https://business.hsbc.uk/callback)

