

# Exporting Research Report



## Introduction

In a global economy, international trade is an important driver of both economic and business growth. In fact analysis of the Department for Business, Innovation and Skills' (BIS) Small Business Survey (SBS) found that exporting was the most significant factor in stimulating business growth<sup>1</sup>.

Increasing exports is also seen by government as a major factor in closing the UK productivity gap with other major developed economies, and rebalancing the economy. It has a target to increase the value of UK exports to £1 trillion by 2020, and increase the number of exporting businesses by an additional 100,000.

Encouraging Small and Medium sized Enterprises (SMEs) to export, and target new markets, is also a major objective of the Greater Lincolnshire Local Enterprise Partnership (GLEP). In order to provide a detailed picture of exporting activity both current and potential in Greater Lincolnshire, the following paper brings together information on international trade from various local sources including:

- The GLEP Employer Survey 2014
- Countywide employer surveys covering the period from 1999 to 2009
- The Lincolnshire Quarterly Economic Survey (QES) from 2009 onwards
- Research commissioned during 2012 looking into local supply chains
- Research commissioned during 2013 looking at Lincolnshire's neighbouring economies

## Headlines

- **Currently only 13 per cent of Greater Lincolnshire businesses export, with a further 3 per cent planning on doing so in the future.** Previous countywide survey results show averages of around 20 per cent of businesses were involved in international trade in the decade prior to the 2008 economic downturn.
- **Business that export are generally larger (in employee terms), more well established, more active in the labour market, and more innovative.**
- **The Euro Zone is the top export market for Greater Lincolnshire businesses.**

## Levels and location of exporting activity

The GLLEP Employer Survey 2014 indicates that 13 per cent of Greater Lincolnshire employers are involved in exporting activity. This equates to around 5,500 businesses at that time<sup>ii</sup>.

Referring to figure 1, similar surveys undertaken prior to this had shown higher proportions of businesses exporting (please note that these results relate to Lincolnshire, as opposed to the Greater Lincolnshire area), hovering around the 20 per cent mark. The 2009 survey shows a large drop in the proportion of exporting businesses with the latest 2014 survey showing a slight increase.

### Figure 1 – Percentage of businesses engaged in exporting activity

Source: Employer Surveys 1999-2014, Lincolnshire Research Observatory



The reasons for this apparent decline are unclear. Certainly the drop in 2009 could in part be attributed to the 2008 credit crunch and the recession that followed in 2009. The global nature of the economic crisis would certainly have impacted on exports and may have led firms to move away from what was a potentially volatile activity and instead concentrate more on home markets.

When looking at the exporting activity data over a period of time, the trend indicates that the percentage of exporting businesses could return to around the 20 per cent mark once the economy fully recovers.

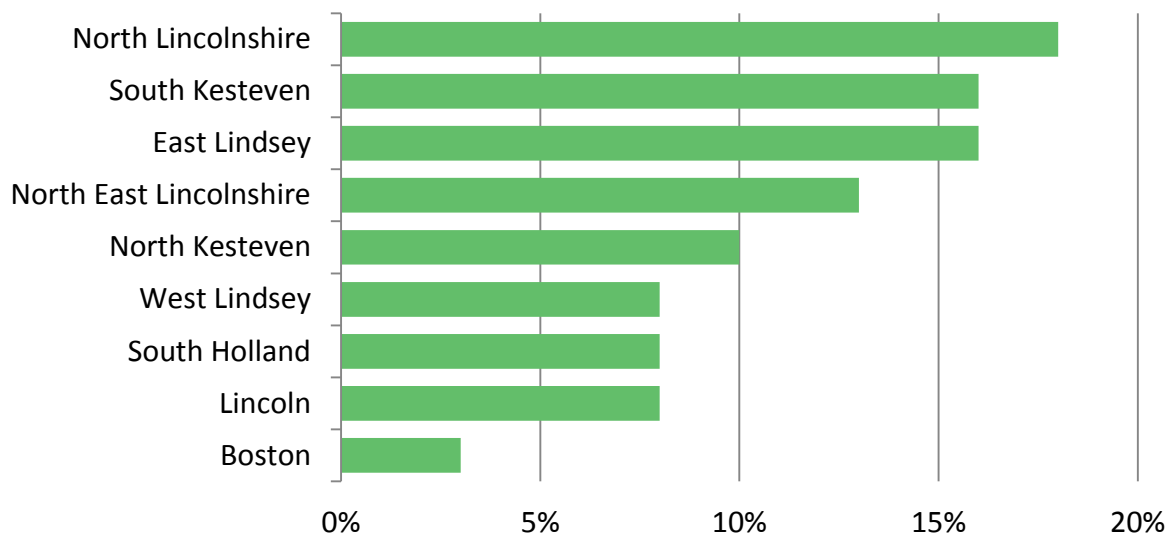
Encouragingly, of the 87 per cent of businesses who don't currently export, 3 per cent report that they are planning to start exporting.

In terms of the concentration of exporting activity then figure 2 shows that North Lincolnshire has the highest proportion of exporting businesses. This is not surprising given

its access to the ports of Immingham and Grimsby, and the presence of the M180 (the only motorway in the Greater Lincolnshire area) linking to the A1(M) and the M62.

## Figure 2 – Location of businesses engaged in exporting activity

Source: GLLEP Employer Survey 2014



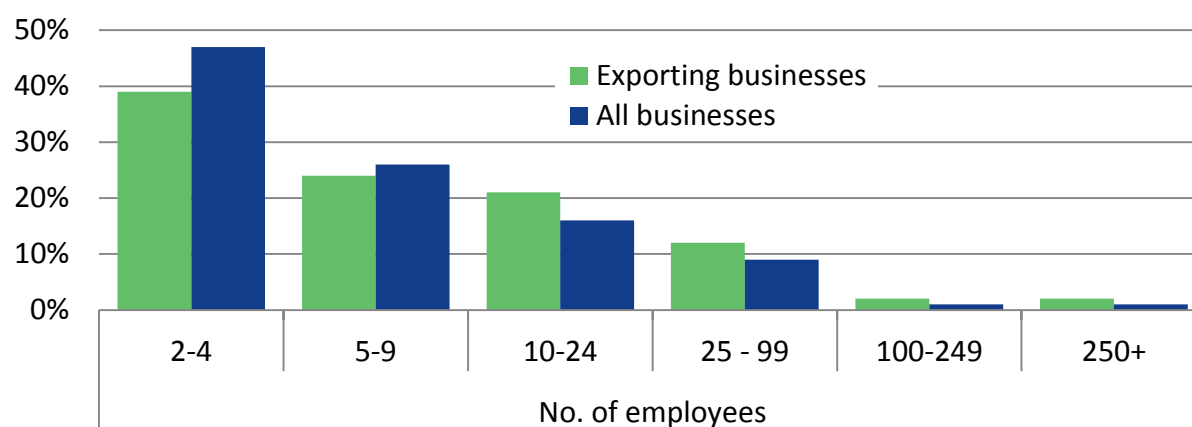
South Kesteven in joint second in terms of exporting activity is not surprising given its proximity to the A1 and the subsequent ability of businesses to move products around the country to exporting destinations more easily. The presence of East Lindsey in joint second, which lacks the connectivity of the two areas above it, can in part be explained by the strong presence of farming businesses in the area and resulting crop exports. This would suggest though a level of exporting underperformance in Boston and South Holland.

## Profile of exporting businesses

Referring to figure 3, larger businesses (in terms of employee numbers) are much more likely to be engaged in exporting activity than small and micro employers (2-4 and 5-9 employees).

## Figure 3 – Size profile of exporting businesses

Source: GLLEP Employer Survey 2014



In terms of exporters and their sectoral profile (figure 4) then businesses in the manufacturing sector (42 per cent) are much more likely to be exporting products, followed by the sectors of energy & water (small numbers), transport and communications (with many logistics businesses involved in the export of goods), and agriculture and fishing.

### Figure 4 – Sector profile of exporting businesses

Source: GLLEP Employer Survey 2014

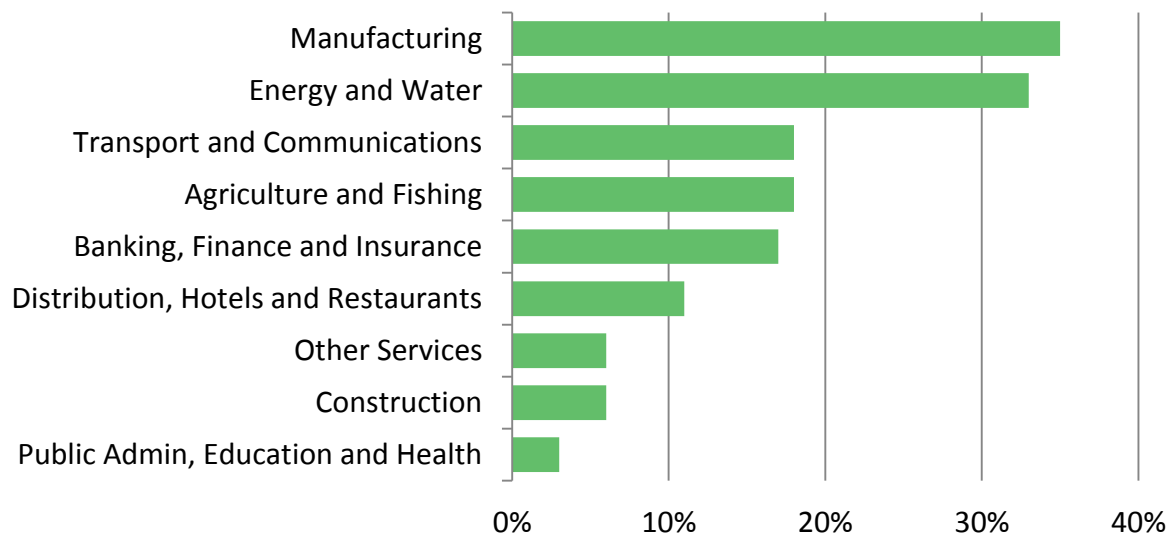
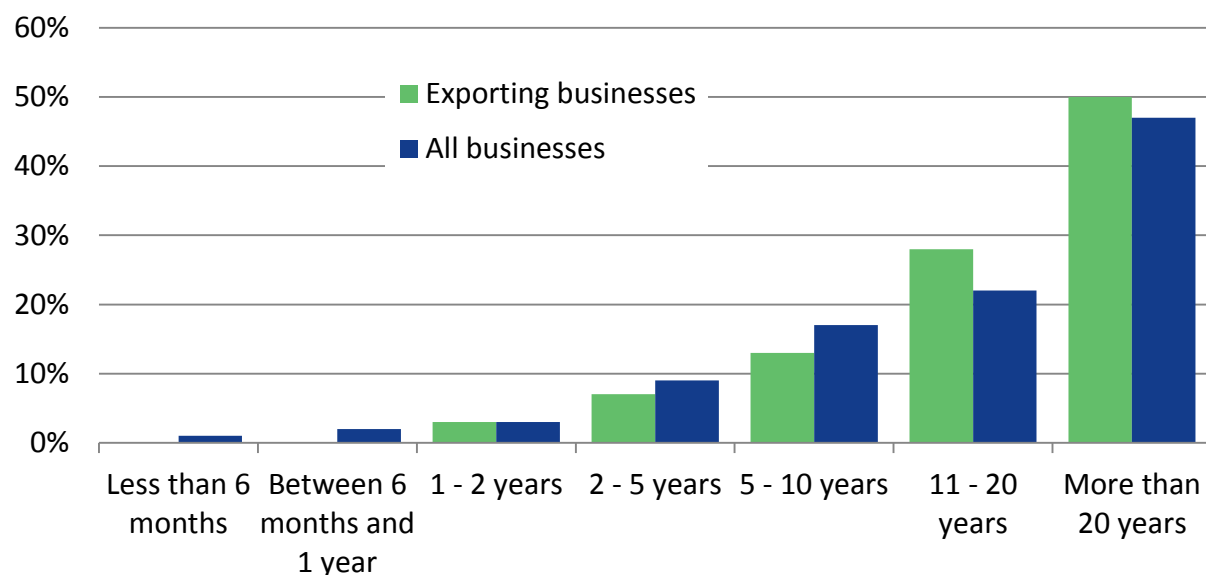


Figure 5 shows that the length of time the business has been operating also plays a role in its ability to export products and/or services. This is not surprising given that most businesses will need to establish themselves in the domestic market before considering expansion into new markets.

### Figure 5 – Age of exporting businesses

Source: GLLEP Employer Survey 2014

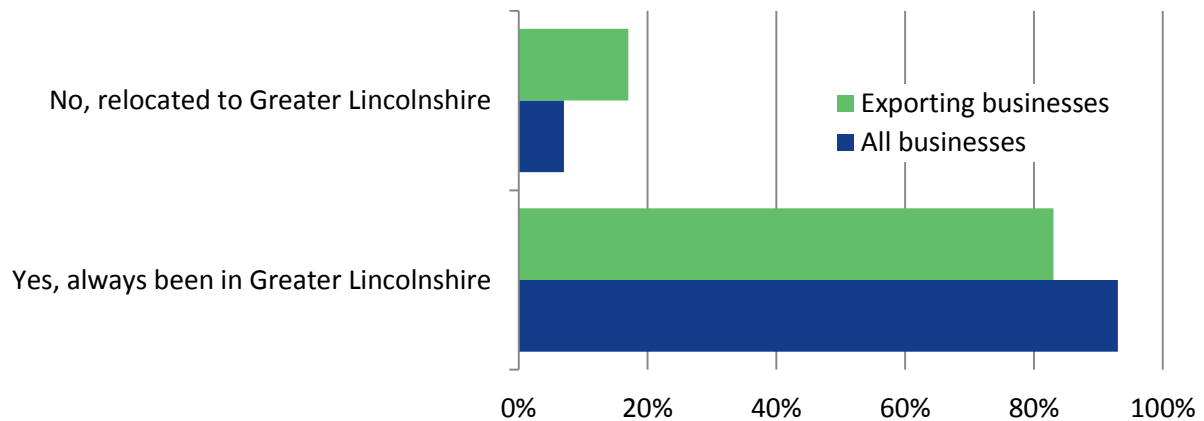


## Origins of exporting business

Referring to figure 6, we can see that whilst a great many of exporting businesses have always been based in the Greater Lincolnshire area, of those businesses that have moved here then a greater proportion are exporters.

**Figure 6 – Origins of exporting businesses**

Source: GLLEP Employer Survey 2014



It is not clear whether these relocations were a means to being closer to European market gateways (such as the ports of Grimsby and Immingham) or main national arterial routes (A1) but these could be factors.

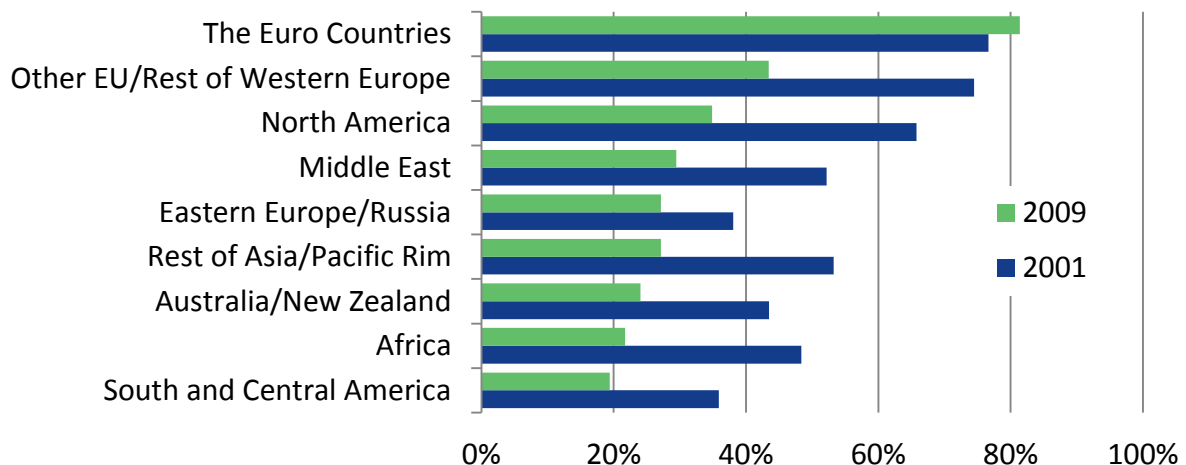
## Export markets

The following section draws on data from employer surveys conducted in 2001 and 2009 and refers to Lincolnshire businesses only.

Figure 7 shows us that by far the biggest export market in both 2001 and 2009 was the Euro Zone (i.e. the 17 nations which are part of the single currency).

**Figure 7 – Export markets, 2001 and 2009**

Source: Lincolnshire Employer Surveys, 2001 and 2009



In terms of significance this market is followed closely by the rest of the EU trading block and Western Europe though significantly less so when referring to the 2009 results. This pattern is repeated across all other export markets.

Further local research carried out during early 2013 with around 60 large Lincolnshire businesses considered, amongst other things, the proportion of their supply to customers in overseas markets.

Around eight per cent said three quarters of their custom was with overseas markets, a quarter said that between 25 and 50 per cent of their business was with overseas markets, and over a third (36 per cent) said up to 25 per cent of their business was with overseas markets.

Businesses were also asked about their most important trade areas in terms of sustaining and growing their business over the next 10-15 years. In response businesses ranked overseas markets second behind the local area (and ahead of other national and regional markets), indicating that, at least for these larger companies, growing export markets is seen as significant in terms of future growth.

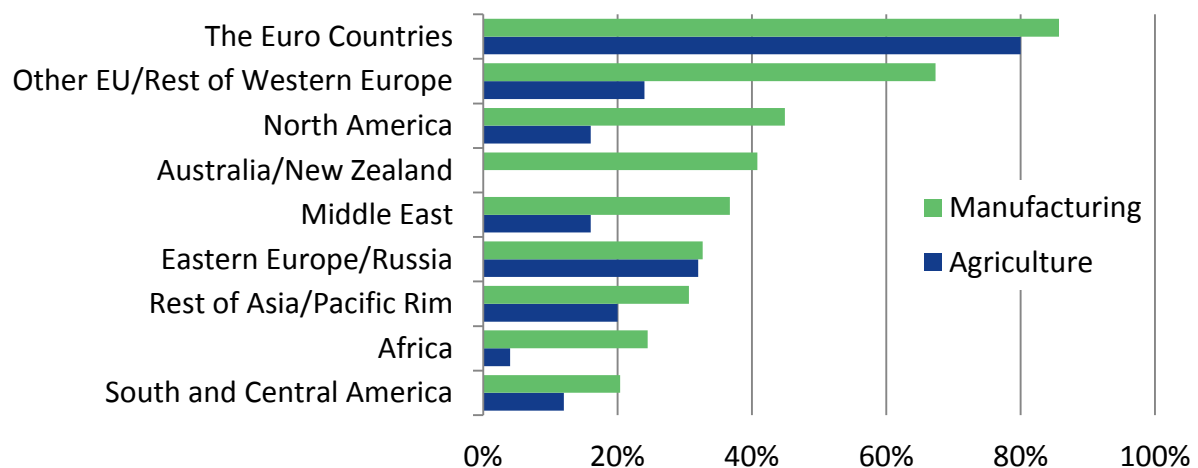
Europe, the BRIC economies (Brazil, Russia, India, and China), and America, were all cited as significant in terms of exporting growth potential.

## Sector specific markets

Referring back to figure 4, if we take the largest two sectors (in both employment and economic value) of the top four (where we can also be sure that there exporting activity is in relation to products and/or services) then in figure 8 we can see that Lincolnshire manufacturers export to a wide variety of overseas markets, whereas the agriculture sector is concerned mainly with the European market and Russia.

**Figure 8 – Export markets for the manufacturing and agricultural sectors**

*Source: Lincolnshire Employer Survey 2009*



## Value of exports

Please note that the following section and its data refer to Lincolnshire businesses only.

Table 1 shows the estimated value of exported goods for Lincolnshire, using regional export value data which has been extrapolated to county level using sector employment data.

It should be emphasised that this analysis provides an estimated value of exports only, as the trend in exports locally may not follow the same trends in employment. Many sectors have also seen a downward trend in employment over the last three years due to the economic downturn, but export activity will have been assisted by favourable exchange rates during that period.

Lincolnshire has a relatively small number of employees in the machinery manufacturing sector. This is the fourth largest comparator sector by number of employees, but across both comparator regions and England as a whole, comprises the largest area of exporting activity. Lincolnshire has significant numbers of employees in the other manufacturing and chemicals sectors which are key exporting sectors.

**Table 1: Value and proportion of exported goods by type, 2010**

Source: *Opportunities for Greater Lincolnshire's Supply Chains, Rose Regeneration and University of Lincoln, Lincolnshire Research Observatory.*

	Value of exports (£000s)	% of total export value		
		Lincolnshire	East Midlands	England
Food and Live Animals	13,582	40%	5%	3%
Manufactured Goods	10,387	31%	10%	12%
Miscellaneous Manufacturing	5,206	15%	12%	14%
Machinery	3,371	10%	62%	39%
Mineral Fuels	119	0%	0%	7%
Crude Materials	250	1%	3%	3%
Chemicals	1,001	3%	7%	21%
Beverages and tobacco	139	0%	1%	1%

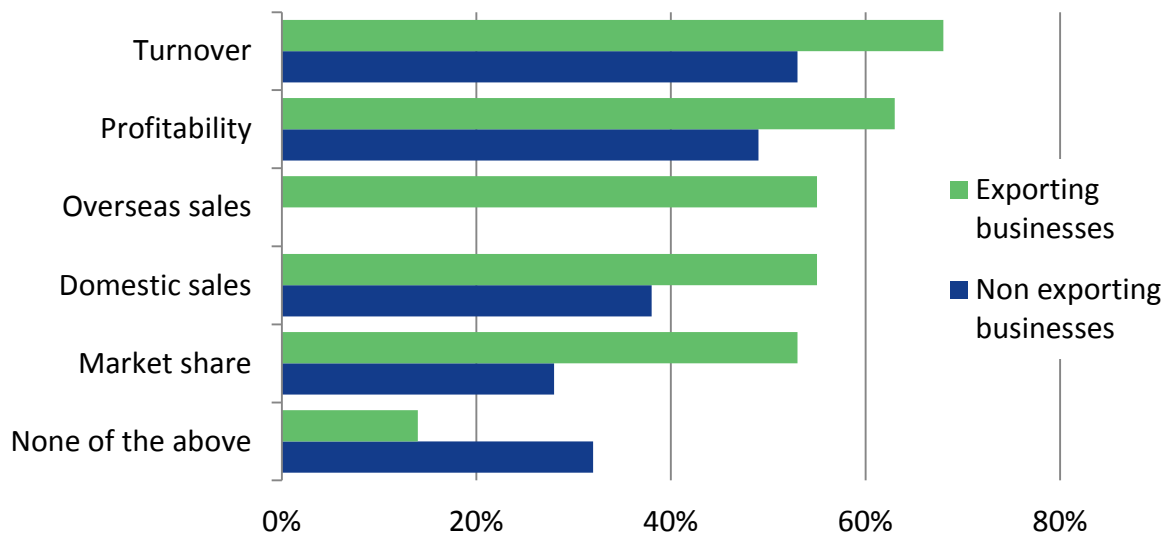
When compared against the region and nationally, Lincolnshire's significance as an agri-food employer comes out strongly, with the majority of the county's export value being provided by food and live animal exports.

## Performance of exporting businesses

It would appear that the ability to export products and/or services plays a positive role in levels of business performance. Figure 9 shows that exporting businesses have been more likely than non-exporting businesses to have experienced increases in a raft of measures (including domestic sales).

**Figure 9: Over the past 12 months, has your company experienced increases in any of the following...?**

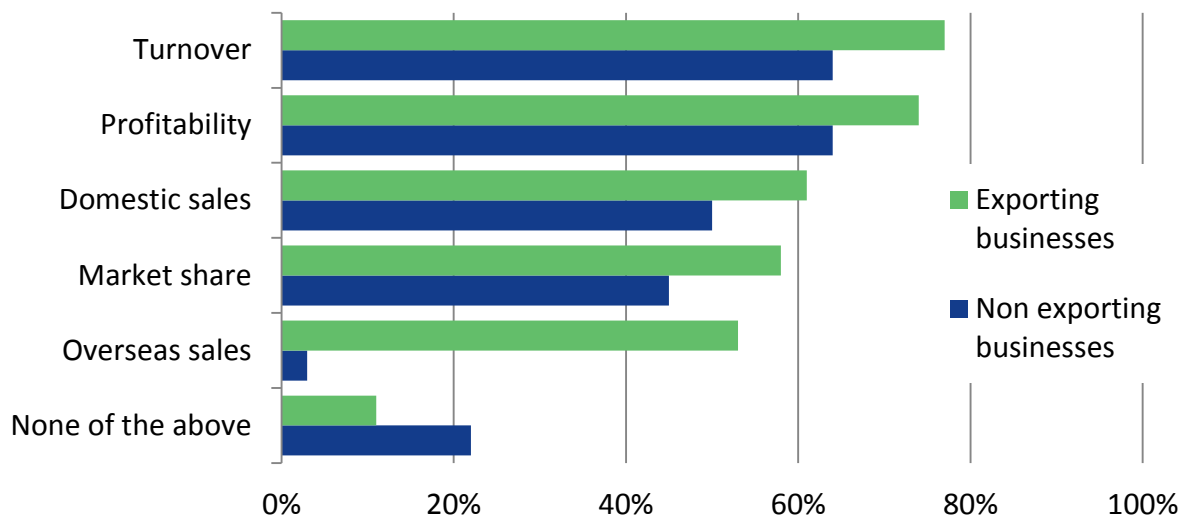
Source: GLLP Employer Survey 2014



These good business performance levels translate into business confidence, as shown in figure 10, with exporting businesses more likely to expect increases in all factors when compared to non-exporting businesses.

**Figure 10: Over the next 12 months, do you expect your company to experience an increase in any of the following...?**

Source: GLLP Employer Survey 2014

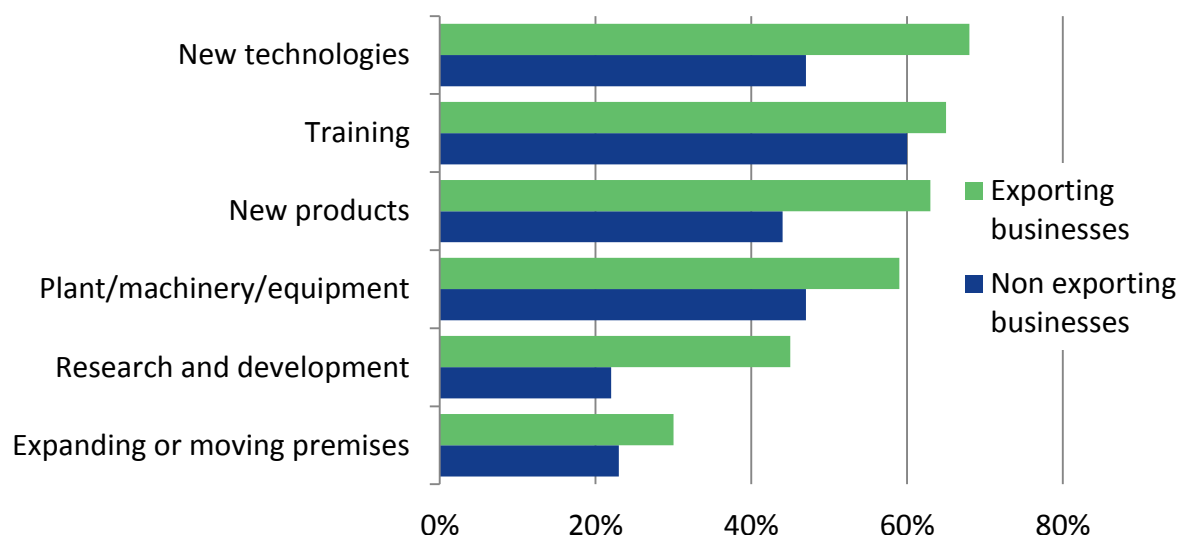




Business confidence in turn plays a part in any decision regarding future investment plans. As a result of encouraging performance and buoyed confidence then exporting businesses are more likely than non-exporting businesses to be planning on investment in a range of factors that would support business growth (figure 11).

### Figure 11: Over the next 2 years, do you expect to invest in any of the following?

Source: GLLEP Employer Survey 2014



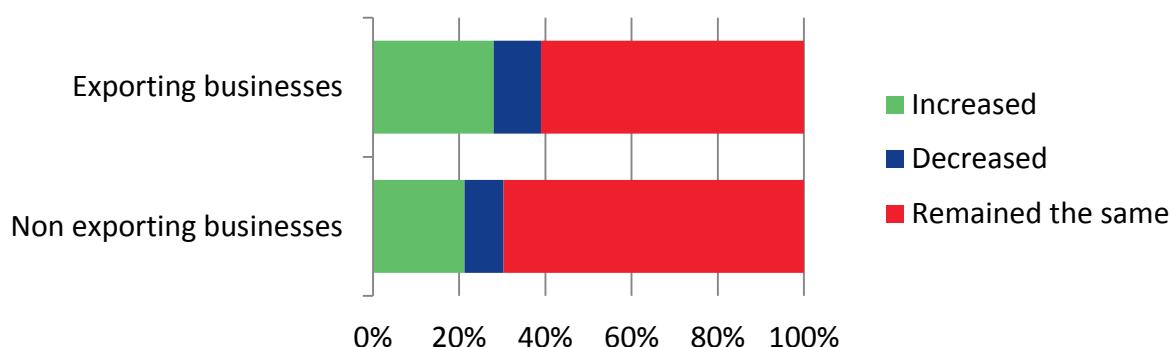
Also of note here is that exporting businesses are more likely to be considering expanding or moving premises. When questioned on this, and whilst the numbers were small, a greater percentage of exporting businesses than non-exporters were considering moving out of the area.

## Staffing levels and challenges

Improved business performance, confidence, and investment also tends to translate into increased employment. Figure 12 shows that exporting businesses are both more likely to have and hired and fired staff over the last year,

### Figure 12: Changes in staff in the last 12 months

Source: GLLEP Employer Survey 2014



On the face of it we could argue that non-exporting businesses provide a more stable environment with a focus on the domestic market that is perhaps less exposed to global market forces. However, whilst the churn of staff in exporting businesses is higher we have already previously shown that they are more likely to reap the rewards of growth from exposure to overseas markets.

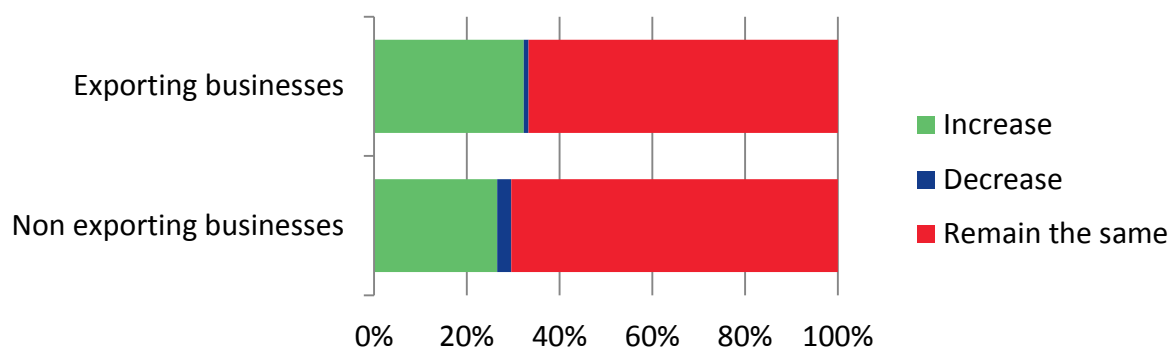
Recruitment for exporting businesses tends to be in higher skilled positions, and perhaps unsurprisingly they are also more likely to have hard-to-fill vacancies. Of those that had recruited in the last year 23 per cent of exporting businesses said that some posts had been hard-to-fill compared to only 12 per cent of non-exporting businesses.

Exporting businesses were more likely to cite reasons of 'lack of applicants with required qualifications and skills' (49 per cent compared to 34 per cent) and 'lack of applicants with required working experience/job specific skills' (54 per cent compared to 35 per cent) for vacancies being hard to fill.

In recruiting over the last year, exporting businesses were more likely to have employed under 19's and women returning to work. Nationally, the government has highlighted the disparities in male and female skilled employment levels as a factor that could unlock productivity growth. As such, our local exporting businesses could play an even greater role in achieving this locally. With this in mind it is also worth noting that exporting businesses are more likely to be recruiting in the future (figure 13).

**Figure 13: Anticipated changes in staff over the next 12 months**

*Source: GLLEP Employer Survey 2014*



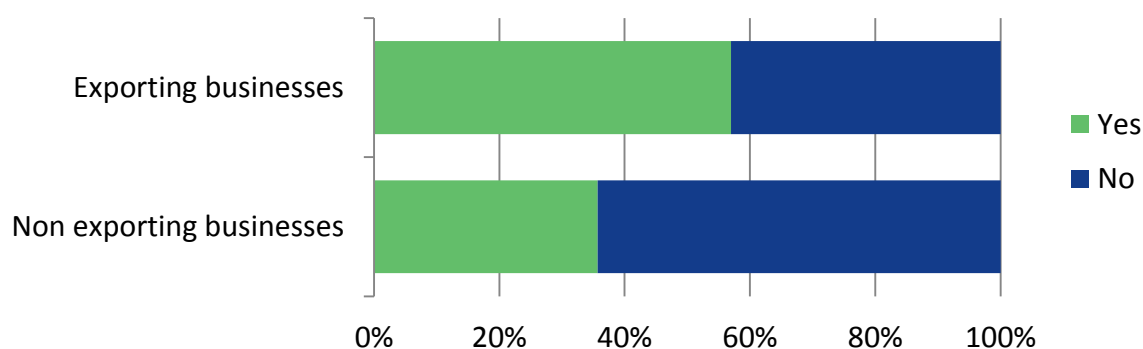
Finally on the matter of recruitment, it is interesting to note that exporting businesses tend to be more pro-active in terms of plugging their own skills gaps, probably in recognition that these gaps are holding back growth. 55 per cent of exporting businesses have their own training plan and budget, and 58 per cent have funded on-site training compared to 50 per cent and 46 per cent of non-exporting businesses respectively.

## Levels of innovation

Exposure to overseas markets and the competitiveness they bring could also be a driver for innovation. Figures 14 and 15 show that, not only are exporting businesses more likely to innovate, they are also more likely to introduce a product or service that is completely new (i.e. has not been introduced by anybody before).

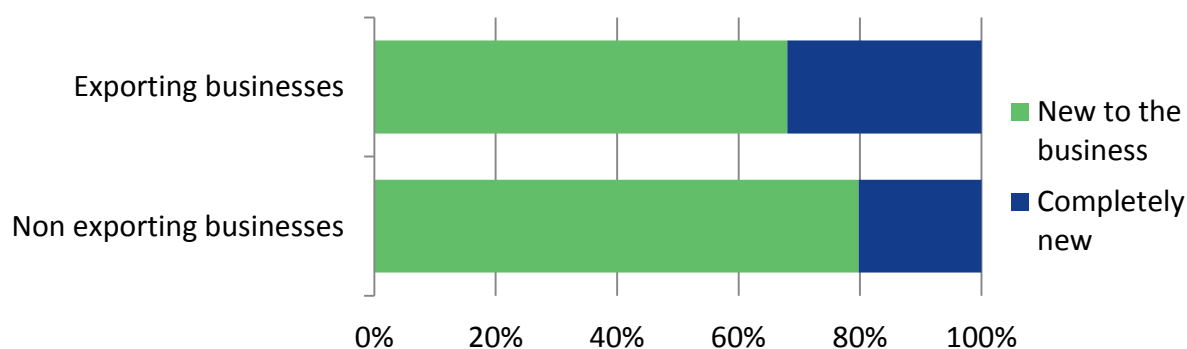
### Figure 14: Have you introduced new or significantly improved products or services in the past twelve months?

Source: GLLEP Employer Survey 2014



### Figure 15: Are these new or significantly improved products, new to your business, or completely new (i.e. not introduced by anybody before)?

Source: GLLEP Employer Survey 2014



## Non exporters

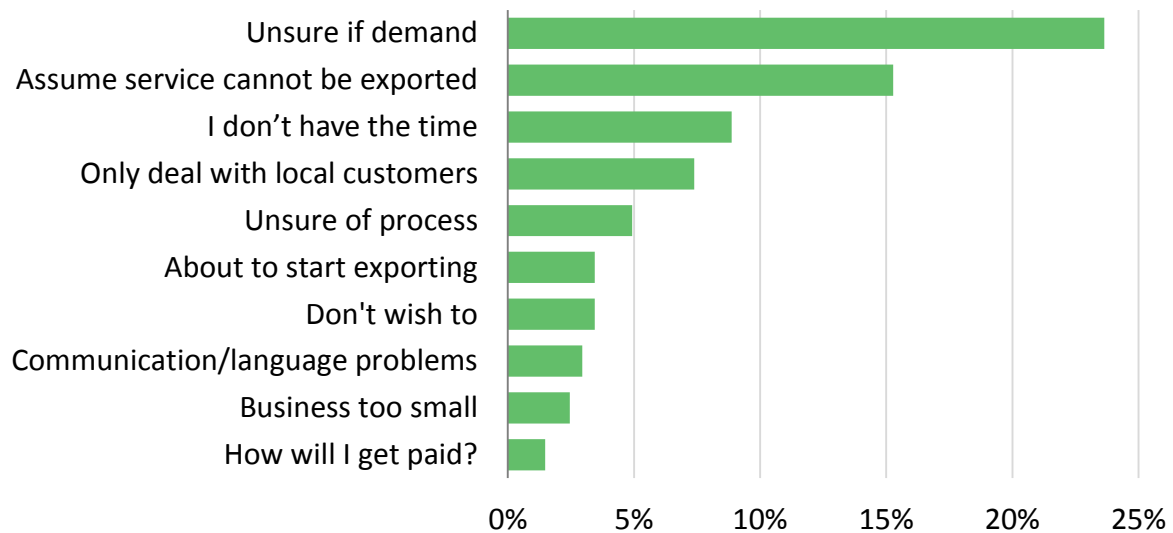
Between 2009 and 2014, business activity and performance has been monitored by the Lincolnshire Quarterly Economic Survey (in partnership with the Lincolnshire Chamber of Commerce, and joined more recently by the University of Lincoln) which gains around 250 business responses on a quarterly basis.

Whilst not as statistically robust as the previous countywide employer surveys (which gathered responses from around 1,000 employers based on a representative sample of Lincolnshire businesses) the Quarterly Economic Survey (QES) still provides us with an up to date view of business activity.

In February 2013 an additional question was added to the Lincolnshire Quarterly Economic Survey on behalf of UKTI in order to get a snapshot of the reasons why businesses were not exporting. Referring to figure 16, of those businesses who did not currently export, just under a quarter responded that they were unsure if there would be demand for their product. Nine per cent said they did not have the time, hinting at the complexity and difficulty of the exporting process, and five per cent said they were unsure of the process.

### Figure 16 - Reasons for businesses not exporting

Source: Quarterly Economic Survey Additional Questions Feb 2013



Interestingly 15 per cent of businesses responded to the question saying that they have assumed they cannot export because they are not manufacturing or producing goods. This suggests that there is potential for some service sector businesses to enter overseas markets with the right help.

## More Information

This paper was written by Lincolnshire County Council Economy and Environment Research Team for the Greater Lincolnshire Local Enterprise Partnership (GLLEP).

The GLLEP evidence base on the Lincolnshire Research Observatory is the key source of analysis and intelligence for the GLLEP.

[www.research-lincs.org.uk/lep-home.aspx](http://www.research-lincs.org.uk/lep-home.aspx)

## References

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<sup>i</sup> Understanding Growth in Small Businesses, BIS Research Paper Number 216, March 2015. *Please note that the other most significant factors most strongly associated with growth (in decreasing order of significance) were having a formal business plan; seeking external finance; process innovation; strength in implementing the business plan; providing formal training; strength in accessing external finance; strength in entering new markets; and use of a business mentor. The capabilities and willingness of businesses to undertake any of these activities therefore affect growth.*

<sup>ii</sup> UK Business Counts (local units), 2014, Office for National Statistics



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