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# 2015 European SME Exporting Insights Study





# Introduction

It is sometimes forgotten that even in the most advanced economies, the most important source of wealth and trade is the sector of small- and medium-sized enterprises, or SMEs. According to the most recent SME Performance Review from the European Commission\*, 99 out of every 100 businesses in Europe are what the Commission defines as small- and medium-sized enterprises. Across the EU28 countries some 21.6 million SMEs in the non-financial business sector employ 88.8 million people and generate €3,666 trillion in value-added – that means that SMEs account for two in every three employees and 58 cents in every euro of value added in the EU.

What is more, SMEs that export within Europe and beyond are the most dynamic contributors to the SME economy. The European Commission's SME Performance Review points out that growth in the SME sector overall has slowed since 2011; that is mainly a reflection of weak domestic demand compared to strong export demand – it remains the case that the majority of SMEs do not export. Exporting SMEs grow faster because the main contributor to EU growth since 2008 has been foreign demand. 'In an increasingly internationalised world, there are competitive advantages for those businesses that

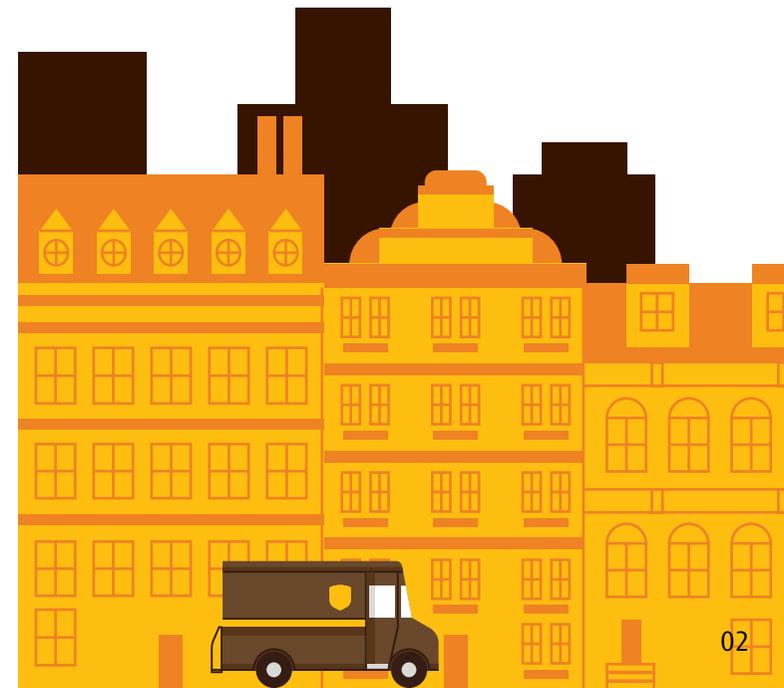
begin with a global strategy and can move quickly to take advantage of cross-border activities,' says the European Commission.

The UPS 2015 European SME Exporting Insights Study was inspired by a desire to help SMEs prosper by capturing the opportunities for export growth. In all 10,717 owners and directors of small- and medium-sized enterprises across the EU – in Belgium, France, Germany, Italy, the Netherlands, Poland, and the United Kingdom (UK) – were surveyed. The goal was to identify trends and opportunities in exporting and to identify the barriers that still exist to successful export growth. The SME sector has one very powerful advantage over larger companies: agility. UPS aims to help SMEs by showing where opportunities lie, what challenges might confront them as they build their export businesses and how they can meet these challenges with tried and tested logistics solutions and partners.

## Research Scope

- ◆ 10.717 SME Owners and Directors
- ◆ 7 Countries
- ◆ 4 Sectors
- ◆ 3 Business Sizes

\*[http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2014/annual-report-smes-2014\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2014/annual-report-smes-2014_en.pdf)





# Methodology

In late 2013 UPS commissioned the 'Growth Through Export Trade' quantitative survey in the UK and Germany to provide insights into SMEs associated with exporting within and outside the EU. That study was then expanded in early 2014 to cover additional markets - Poland, France, Italy, Belgium, and the Netherlands, with a view to identifying triggers to exporting and perceived barriers, as well as information sources used to inform exporting decisions and business channels used in the exporting sector. This year's report builds on that work: the 2015 survey includes an expanded range of questions to key business sectors and concentrates on companies that are either exporting now or intend to do so within the next 12 months.

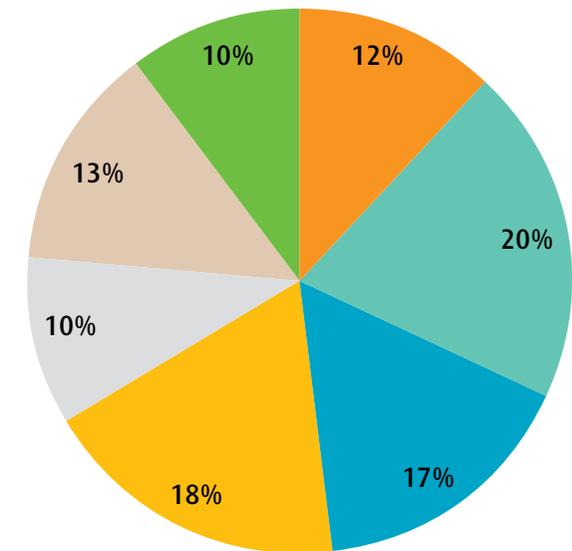
The 2015 research surveyed 10,717 SME owners, and managing, commercial, business and sales development directors between 15th June and 7th August 2015. Interviews were conducted in the following countries: Belgium (1298), France (2133), Germany (1745), Italy (1949), Netherlands (1087), Poland (1404) and UK (1101). The companies in the study were identified by business information specialists Dun & Bradstreet and drawn from four sectors: industrial manufacturing & automotive (IM&A), retail, high-tech and healthcare.

Sub-sectors such as textile, milk and chemical producers, as well as cafés, bars and restaurants were excluded as well as main sectors such as agriculture, mining, and construction.

The study also selected 200 companies in each of the seven countries for an in-depth survey, with quotas set on company size (in each country 100 'micro' companies with 1-9 employees were surveyed, 50 'small' companies with 10-49 employees, and 50 'medium' companies with 50-250 employees). Industry sectors were also equally represented with 50 companies from each of the four sectors selected in each country. Survey data were then weighted to be representative of the population on those variables.

Interviews were conducted in:

Percentage of total sample (10,717)





## Business size & sectors



**Industrial manufacturing & automotive (IM&A)** includes manufacturers of goods with industrial applications, such as cranes and metal extruders, and domestic applications, such as kitchens, sanitary ware, and gardening equipment, as well as new and used motor vehicle and boat dealers, manufacturers of motor vehicles, motorbikes, bicycles, parts, tyres and engines, wholesalers and retailers.



**The retail sector** includes the full range of retailers, from florists to stationers, as well as wholesalers and manufacturers of consumer goods such as apparel, furnishings, appliances, and food.



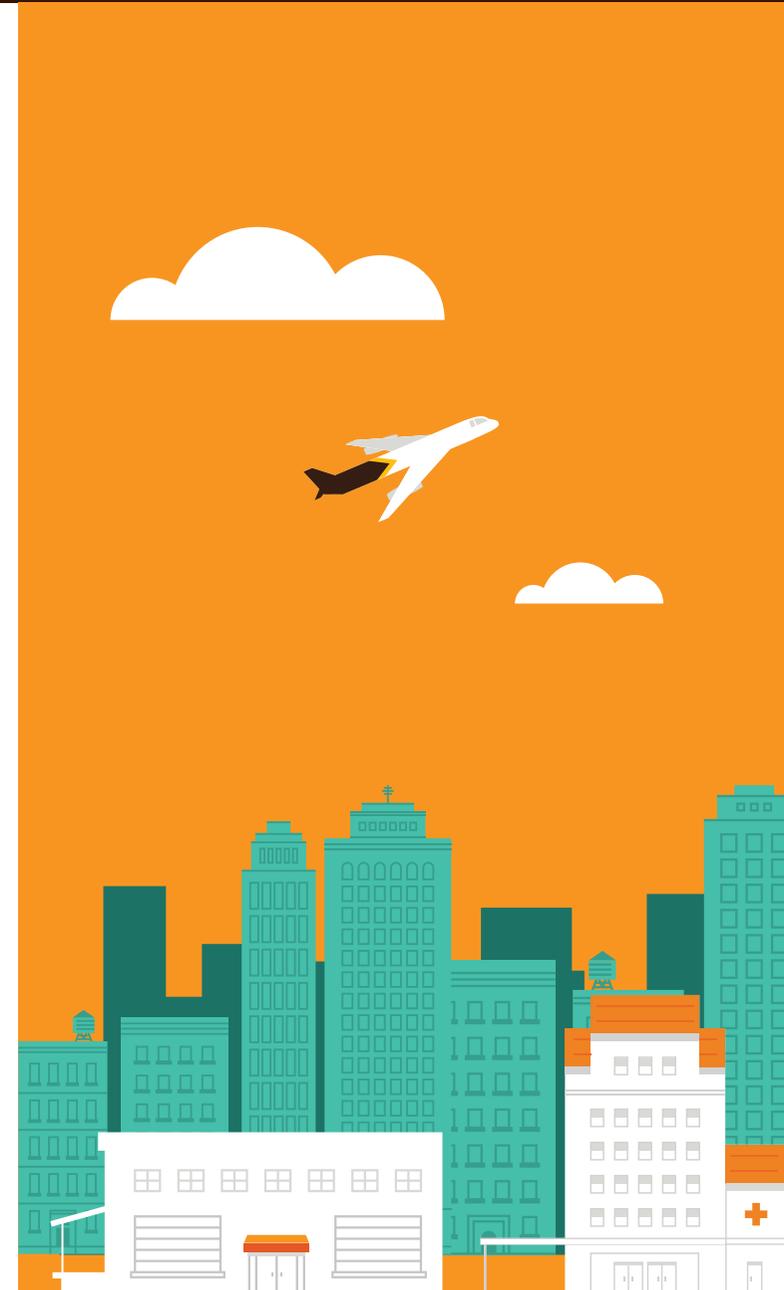
**The high-tech sector** includes manufacturers of broadcasting and communication equipment, computers and semi-conductors as well as software developers and computer programming service providers.



**The healthcare sector** covers a wide spectrum of manufacturers of medical apparatuses, prosthetics and pharmaceutical preparations including biopharmaceuticals, as well as healthcare providers like optometrists and chiropractors.

This report uses the sizing terminology 'micro' for companies with 1-9 employees, 'small' for companies with 10-49 employees, and 'medium' companies with 50-250 employees.

Graphics shown are abstracts of key findings from the full survey results. Figures may total less than 100% where only partial data are available or more than 100% where more than one response was allowed.





# Executive summary

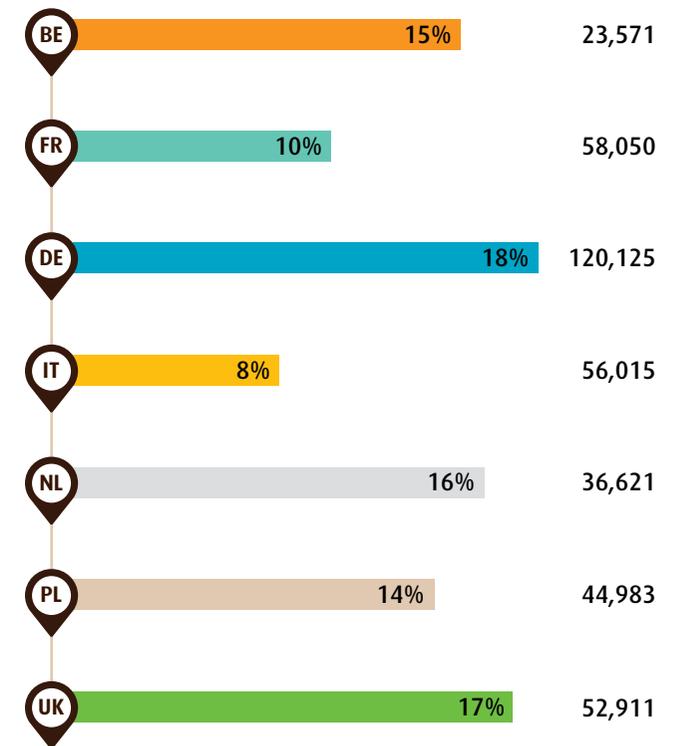
The responses of over 10,000 owners and directors of SMEs in seven European countries show that size of business is no barrier to exporting either to European destinations or beyond. The large share of European growth derived from foreign demand is causing a sizable number of small businesses to export. These SMEs also report a bullish outlook on exporting overall. Key findings include:

- ◆ Medium-sized companies are the SMEs most likely to export.
- ◆ The US is the most important export market outside of Europe.
- ◆ Exporting is strongly associated with higher turnover.
- ◆ Business-to-business sales dominate the SME export trade.
- ◆ Ecommerce is growing fast and is the key enabler of SME exporting.
- ◆ Customer requests are driving European SMEs to begin exporting.
- ◆ The most important perceived barrier to exporting is now physical safety of shipments.
- ◆ Innovation is the leading business priority for SME exporters.



## SME Exporting Landscape

The percentage of SMEs that export and the estimated number of exporting SMEs in each of the surveyed countries





# The European setting

The UPS 2015 European SME Exporting Insights Study shows that there are over 390,000 active exporting SMEs in the segments identified across the seven countries surveyed. The survey also shows that the tendency of small companies to export and the total of SME exporters in an economy are not the same thing – a country with a very large proportion of SMEs in the economy may have a large number of exporters despite a relatively small tendency to export.



Germany is Europe’s leading SME export economy: it has the largest proportion of exporters in its SME population (18%) and the largest number of SME exporters in total (over 120,000).



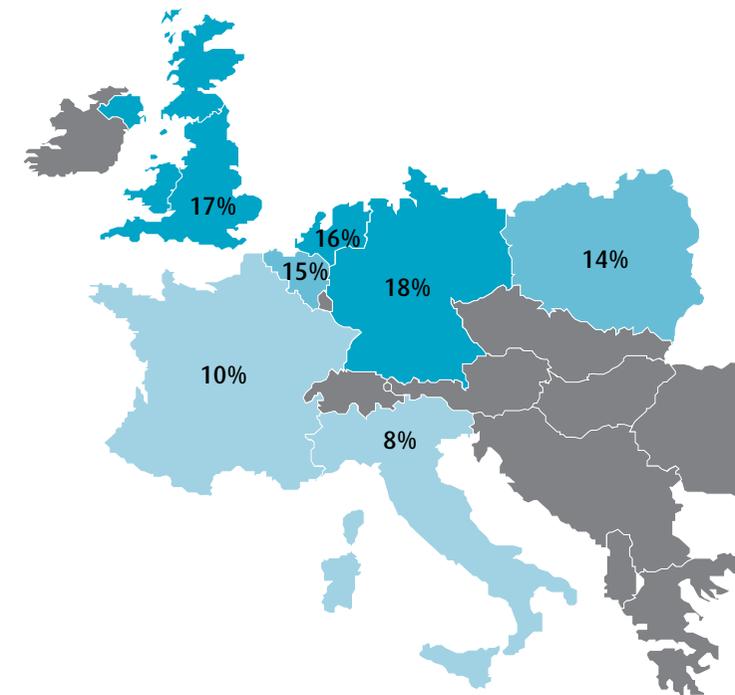
France, the UK and Italy are very significant SME export economies – 10% of French SMEs are exporters but the total of SME exporters is over 58,000; the UK with a smaller proportion of SMEs overall has just under 53,000 SME exporters but the proportion of SMEs that export is high, at 17%.



Larger companies are more likely to export: this is true on an individual basis in all seven markets, and overall 25% of medium SMEs are exporters, compared to 19% of small and 13% of micro companies. Nevertheless, significant numbers of the smallest companies are now exporting. For example, in Germany 17% of SME companies with fewer than 10 employees are exporters. In Belgium, the Netherlands and the UK between 14% and 16% of these micro companies are exporters. On an industry basis there are small differences in the propensity to export; high-tech companies are most likely to be exporters (16%), followed by healthcare and IM&A companies (15%). Retailers are least likely to export (12%), reflecting the heavy B2B bias of SME exporters.

SME Exporting Landscape

The percentage of SMEs that export per country





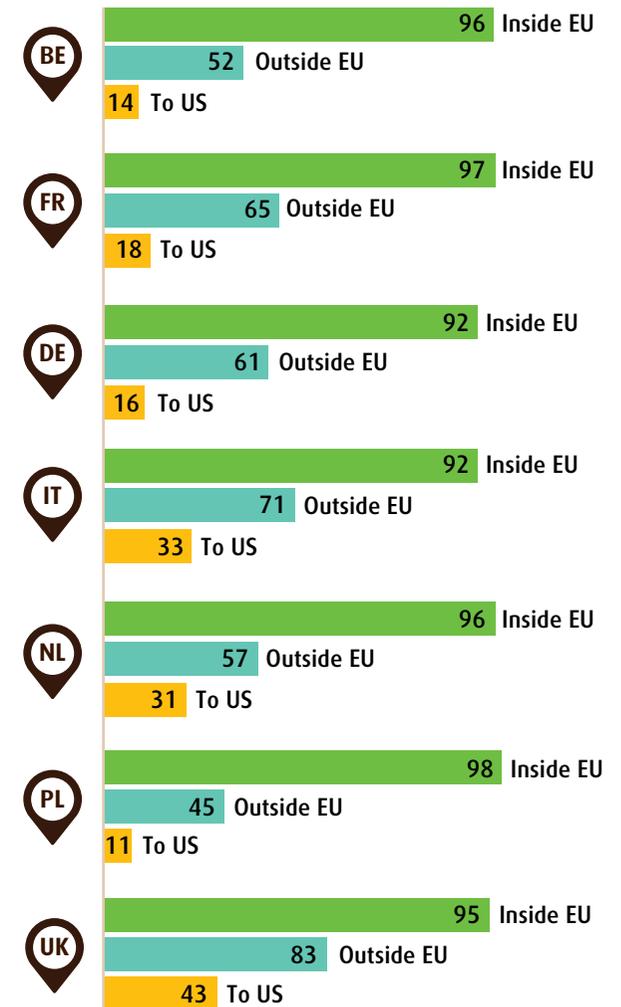
# Country by country trade patterns

European SME exporters continue to show clear trading patterns on a country-by-country basis. Although the most important non-EU market for Europe’s exporters overall continues to be the US, closely followed by non-EU Europe, the importance of individual markets varies widely by country (as measured by the percentage of SMEs exporting to individual markets from each of the seven countries surveyed).

- ⊕ The UK has the biggest proportion of SMEs exporting to the US (43%), followed by Italy (33%) and the Netherlands (31%). Belgium, France, Germany and Poland are all markedly less US-focussed.
- ⊕ Germany (36%) and Poland (32%) are much more likely to export to non-EU Europe than the rest of the seven countries.
- ⊕ Asia excluding China is a significant market for exporters in all seven countries; the UK, Belgium, France and the Netherlands are the biggest exporters.
- ⊕ China is a relatively insignificant SME export market (only 11% of SMEs export to China) with the lowest levels of exports coming from Germany and Poland.
- ⊕ Exports to Africa are only moderately significant except for France (34%) and Belgium (22%), two countries with strong continuing links to francophone Africa.

## Export patterns

The percentage of shipments for SMEs in each surveyed country and the regions they were dispatched to in the past 12 months.





# SMEs say exports drive growth

Exporting may once have been the exclusive preserve of large companies. The costs and complexities of dealing with shipping, customs, currencies and import regulations used to demand large company resources and considerable risk capital. No longer: the 2015 UPS survey shows that European SMEs are increasingly inclined to take growth where they find it, and for many that means increased exporting.



Exporters experience higher overall growth. Almost half (49%) of SME exporters saw turnover grow over the last three years, compared to only 29% of non-exporters. The UK had the highest proportion of exporters reporting turnover growth (61%), and Italy the lowest (30%), but in every market surveyed exporters performed better than non-exporters. The year-on-year trend in 2015 is for exporting SMEs to report higher three-year turnover growth. When a slightly different industry sample was asked the same question in 2014, 31% of exporting SMEs reported three-year turnover growth, compared to almost half of exporting SMEs in 2015.



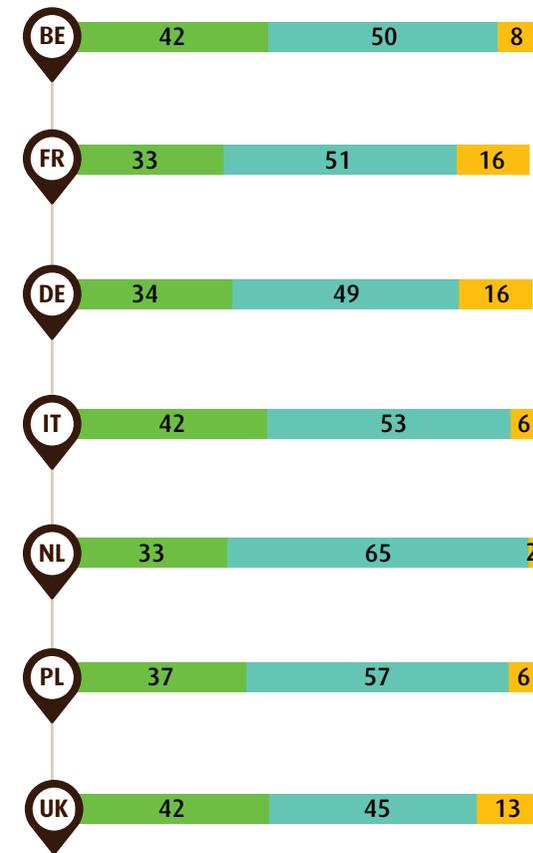
Exporting is likely to grow. Across all markets only 10% of SMEs expect their export business in terms of volume of packages shipped to contract over the next twelve months. Just over half (53%) expect their export volumes to be stable, and 37% expect volumes to increase. The year-on-year trend in 2015 is for exporting SMEs to become more optimistic on growth in export volumes: when a slightly different industry sample was asked the same question in 2014, only 23% expected volumes to increase in the following year.



Belgium, Italy and the UK have the largest proportions of SMEs expecting shipping volumes to grow (42% in all three cases); France and Germany have the largest proportions of SMEs expecting volumes to fall (16% in both cases).

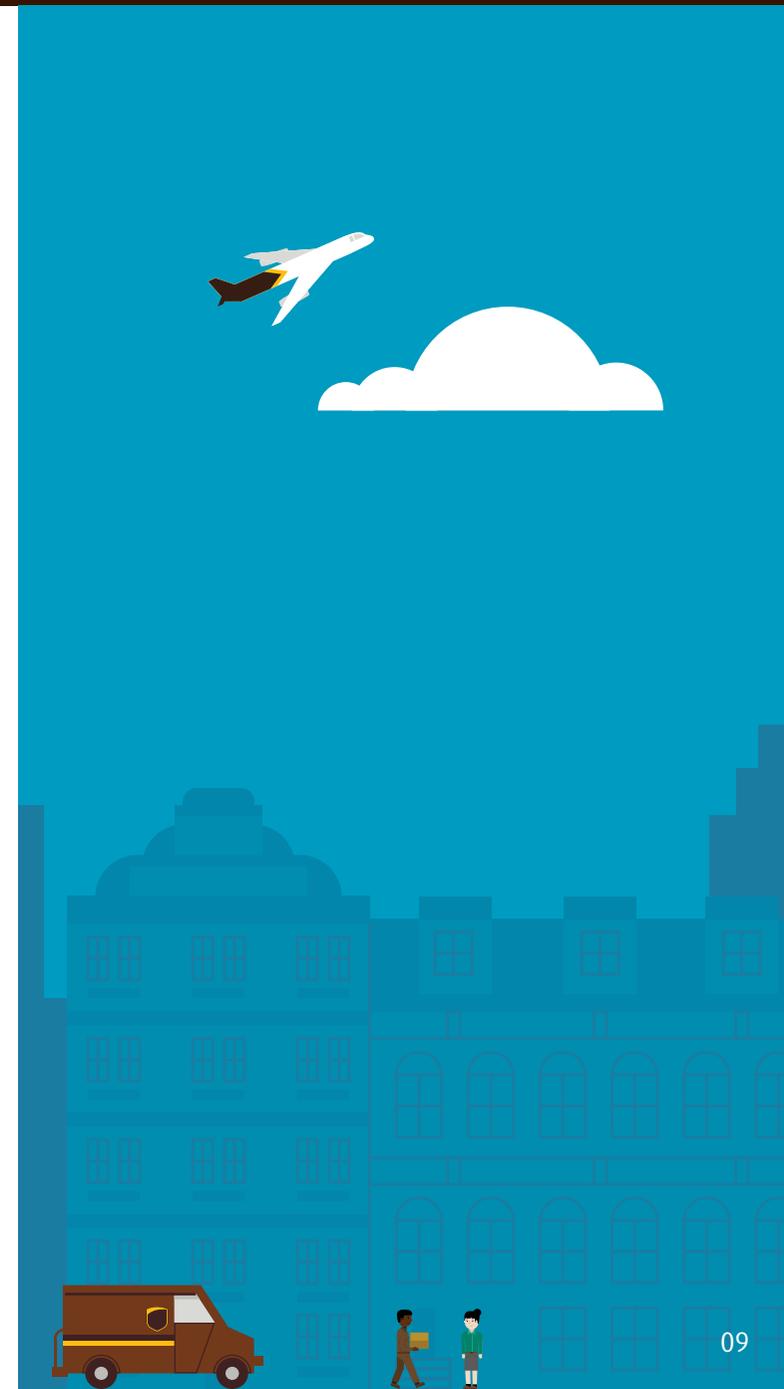
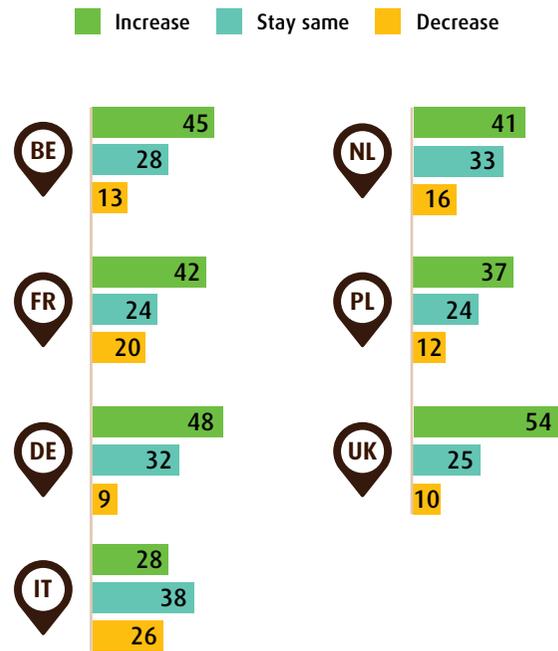
Current exporters expectations over next 12 months...

■ Increase ■ Stay same ■ Decrease





Has the amount of revenue your business makes increased, decreased or stayed the same over the past 3 years?



The move to exporting as a source of sales growth for European SMEs is driven by numerous factors. Lower perceived costs of doing foreign business are important: companies now have the option of marketing and trading online without the costs of establishing foreign sales operations or subsidiaries, and increasingly logistics partners provide 'ready-built' shipping services tailored to smaller companies. But for many companies it is their customers who are the drivers of this shift: in four out of the seven markets surveyed, SMEs said the most important driver for starting to export was customer requests. Customer requests were in the top three most important drivers in every market except Italy.

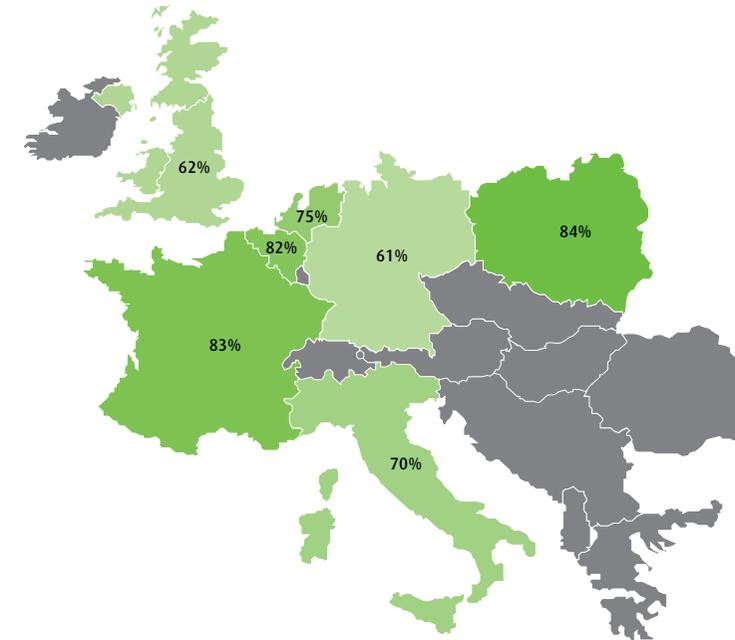


# Business-to-business dominates SME exporting

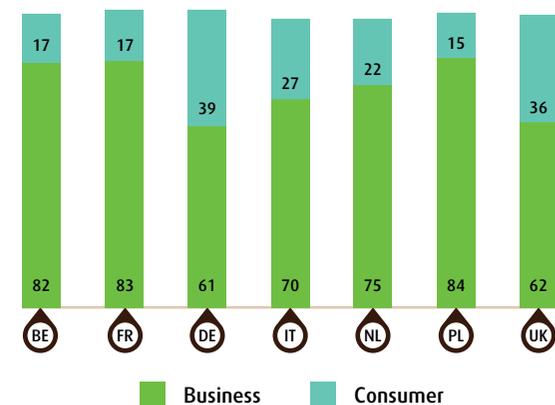
For European SMEs, exporting is primarily a business-to-business trade. Although nearly three quarters of exports (74%) across the total seven-country sample go to businesses rather than consumers, SMEs in two countries (the UK and Germany) do send more than a third of their exports to consumers.

- + Germany is most likely to ship to consumers with German SMEs sending 39% of shipments; the UK is close behind with SMEs sending 36% of shipments to consumers.
- + Belgium, France and Poland all send over 80% of shipments to businesses.
- + There is a strong correlation between business size and B2B versus B2C trade. Micro companies are more likely to ship to consumers (27% of shipments in all markets); small companies send 14% of shipments to consumers, and medium-sized companies send only 10% of shipments to consumers.
- + There is also a strong correlation between business type and B2B versus B2C trade. Retailers account for most of B2C exporting, with 43% of exports going to consumers. There is little difference in the business/consumer split for companies in the other three sectors: High-tech and healthcare companies send 15% of shipments to consumers, and IM&A companies send 12%.

The majority of exports are sent to business rather than to consumers



% exports sent to business vs consumers





## E-commerce is enabling export growth

European SME exporters are now more likely to sell online than through any other channel. The use of online sales channels by exporters has increased dramatically year-on-year: when a similar question was asked of a slightly different sample of SMEs across the same countries last year\*, less than half of companies in all markets were exporting through online sales. In 2015, more than half of all companies were exporting through online channels in all markets except Italy (48%). In all markets except Germany, the Netherlands and Poland the use of online sales has at least doubled in only one year. Also, companies are selling more online than through any other channel across all markets.

- ⊕ Year-on-year online sales growth has been dramatic in all markets. The biggest growth is in Belgium, where the proportion of companies using online channels has risen more than eightfold to 52%.
- ⊕ The biggest proportion of companies using online channels is found in the Netherlands (74%), followed by the UK (70%) and Poland (63%).
- ⊕ An average of 53% of SMEs across all markets are selling online via the company's own website, and 38% of exporting SMEs consider that online via the company's own website is now the most important sales channel.

\* In 2014 SMEs including some non-exporting companies were asked: 'Does your company sell goods or services online?' In 2015 SMEs including only those exporting or intending to export were asked: 'When selling goods and services abroad, which of the following sales channels do you use?' with 'website / aggregator site' being one of the options.





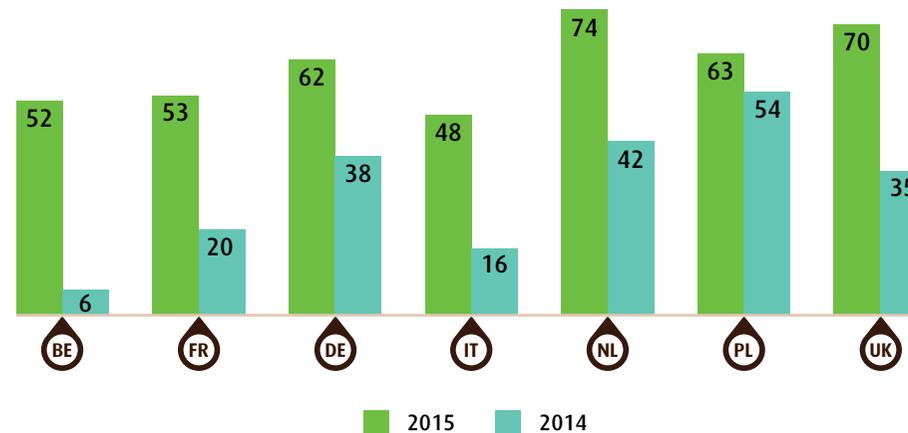
The online sales channel is emerging as the key enabler for SME exporting. Sales through a company's own website are rising because of the huge cost advantages of e-commerce in exporting – in-country costs in destination markets are minimised by online trading, while shipping and customs compliance costs can be automated and made fully visible to customers. However, companies should note that the sales force channel remains very important: in most markets the sales force is rated as the second most important channel, after the online channel. The conclusion is that companies should be wary of neglecting sales force and other channels at the expense of online sales, despite the dramatic growth in online channels usage.

% of SMEs rating as most important channel

	BE	FR	DE	IT	NL	PL	UK
Online via website	30	28	42	30	48	42	48
Telephone	11	17	15	10	5	12	12
Sales force	23	13	14	20	13	19	13
Direct Mail	4	6	5	13	7	2	5
Online via aggregator site	1	6	7	6	4	10	9
Other	31	30	17	21	25	15	13

Online via website   
 Telephone   
 Sales force  
 Direct Mail   
 Online via aggregator site

% of SMEs using online sales channels





# Exporters are following their customers

A clear result of the 2015 UPS survey is that the majority of European SMEs are passive entrants to exporting. A significant majority of companies say that the most important incentive to begin exporting was the fact that customers asked them to export. However, the need for growth, a strong product position and the desire to raise the company's profile were also featured as export drivers.

- ⊕ Companies in Belgium, France, Germany and the UK all reported that customer demand was the main driver for beginning to export.
- ⊕ In all markets except Italy, customer demand was cited in the top three drivers for exporting.
- ⊕ Customer demand was a more significant driver for healthcare companies (56% of companies rating it as important) and least significant for retailers (42% of companies).
- ⊕ In all markets customer demand for exporting was most likely to come from new customers (34% of companies), rather than from existing customers (10% of companies).

Top 3 drivers for SMEs to start exporting

	1	2	3
BE	Customers asked	Strong position/ products	Wanted to raise profile Wanted to grow
FR	Customers asked	Wanted to raise profile	Strong position/ products
DE	Customers asked	Strong position/ products	Wanted to grow
IT	Wanted to raise profile	Strong position/ products	Wanted to grow
NL	Strong position/ products	Wanted to grow	Customers asked
PL	Wanted to grow	Strong position/ products	Customers asked
UK	Customers asked	Wanted to grow	Strong position/ products



Customers are king when it comes to entering the export business: 34% of companies report that requests from new customers were the source of the first export sale and a further 10% report that existing customers drove their first sale. The creation of a company e-commerce site was also significant (10% of companies made their first sale through this channel), as were trade fairs (9% of companies). Third-party e-commerce sites, export partners in the destination market, and advertising in the destination market were all much less significant (5% or less of companies made their first sale through these channels).



## Perceptions of export barriers are changing

There is a strong consensus among European SMEs that the primary concern for exporters is the physical safety (loss or damage) of export shipments within the EU. In five out of seven markets surveyed, risk of goods being lost or damaged was cited as the top concern for exporters, and in Germany and Poland it was cited as the second most significant concern. Speed of delivery and shipping costs were also referenced. For exports outside the EU the concerns were also focused on export regulations and customs clearance matters, although the risk of damaged goods and speed and reliability of delivery still appear in the top three concerns for all markets except Germany.



European exporters active within the EU are concerned with practicalities, primarily the physical safety of shipments. Overall this is the leading priority for SMEs in 2015 (52% of companies shipping to the EU rate this as their top concern). Poland and Germany are the only two countries where SME exporters do not consider physical safety (loss or damage) as the top concern or barrier for exporters sending packages within the EU.



Internet security has fallen somewhat in the rankings of concerns: when a slightly different sample of SME exporters was asked about leading concerns in 2014, internet security and phishing was the second most cited issue for export within the EU. In 2015 internet security had fallen to fourth most cited issue. However, German SMEs cite it as their top concern, and companies in the Netherlands cite it as their third most important concern.



Export regulations and customs clearance have a somewhat higher profile for European SMEs exporting outside the EU; these are rated as top concerns in Germany (regulations) and Italy (customs).



Risk of goods being lost or damaged are cited as being within the top three concerns of all European SMEs exporting outside the EU, except Germany.



Although online security and financial issues are still concerns for exporting SMEs, it appears that the SME export sector is maturing fast. Exporting SMEs in Europe are now primarily concerned with practical issues that logistics partners like UPS can help solve, and not the trust and familiarity barriers to online trading that are more characteristic of the early days of e-commerce.



Top 3 concerns when exporting inside the EU

	1	2	3
BE	Risk of goods lost/damaged	Speed/reliability of delivery	Getting paid for goods
FR	Risk of goods lost/damaged	Speed/reliability of delivery	Shipping costs
DE	Internet security/phishing	Risk of goods lost/damaged	Customs clearance
IT	Risk of goods lost/damaged	Speed/reliability of delivery	Shipping costs
NL	Risk of goods lost/damaged	Speed/reliability of delivery	Internet security/phishing
PL	Speed/reliability of delivery	Risk of goods lost/damaged	Shipping costs
UK	Risk of goods lost/damaged	Speed/reliability of delivery	Shipping costs

Top 3 concerns when exporting outside the EU

	1	2	3
BE	Speed/reliability of delivery	Shipping costs	Risk of goods lost/damaged
FR	Risk of goods lost/damaged	Speed/reliability of delivery	Customs clearance
DE	Export regulations & procedures	Customs clearance	Internet security/phishing
IT	Customs clearance	Risk of goods lost/damaged	Shipping costs
NL	Risk of goods lost/damaged	Internet security/phishing	Speed/reliability of delivery
PL	Finding reputable partner	Risk of goods lost/damaged	Speed/reliability of delivery
UK	Risk of goods lost/damaged	Speed/reliability of delivery	Shipping costs





## Conclusion

Exporting is becoming more important to Europe's SMEs, and to Europe's overall growth. Companies are optimistic: most say they expect their export business to grow, and there is clear evidence that SMEs that do export tend to experience higher growth rates than companies that do not export.

Customer demand is the main driver of this growth, and e-commerce is the catalyst. There is very strong evidence that companies are being led by demands from customers to begin exporting, and the growth in the use of online channels for exporting is one of the clearest results of this study. Europe's SMEs continue to export primarily to Europe, with the US the most important non-European market.

Where exporting companies were once concerned about online security and trust, today's concerns have shifted to practicalities: how to ensure physical reliability of shipments, and how to deal with customs barriers and import regulations. And in terms of future priorities, almost all companies consider that innovation in their overall business operations is their prime area of focus.

We conclude that the European SME export sector is maturing. Exporters are adopting new technologies, gearing up for growth, and looking for innovative ways of doing business – trends we expect to continue and strengthen in the coming year.





# About UPS

Though UPS operates in over 220 countries and territories around the world, it conducts business just like an SME. That's because it has a strong customer focus and a close connection to the communities in which it provides service. There are drivers who have been collecting parcels in the same streets in cities across Europe for the past 20 years. They know their customers by name.

UPS has built a global logistics network that delivers an average of 18 million packages and documents a day with nearly 2,000 worldwide operating facilities. These packages are carried by a distribution fleet that includes 237 jet aircraft, over 96,000 cars, trucks, tractors and motorcycles, including more than 6,000 alternative fuel vehicles.

By leveraging this network, SMEs are able to think big and compete big without having to create a global infrastructure to actually be big. SMEs are able to pick and choose a UPS logistics technology and service that addresses their specific business challenge. Having shipped millions of export orders around the world for years, UPS has developed solutions perfectly suited to exporting SMEs.

UPS firmly believes that exporting can help SMEs' businesses grow by opening new markets to them. Experience in new markets leads product innovation, which propels business growth. Companies that are able to nimbly explore new markets and niches and respond quickly to changes in the marketing landscape are the ones that will succeed.

**ups united problem solvers™**

UPS Ltd.  
Registered Office: UPS House, Forest Road, Feltham, Middlesex TW13 7DY. Registered in England 1933173

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## UPS Tools & Services for SMEs:

### **Packaging consulting service**

UPS has a specialised Package Test Lab in Europe, where specialists can offer a packaging consulting service. This helps SMEs design packaging that can withstand the stresses of export transportation, which minimises the risk of loss and damage.

### **Package and freight services**

UPS is able to transport every sort of shipment, from envelopes couriered overnight to break-bulk shipments that require specialised equipment to load them onto ships.

### **API Technology**

UPS's Application Programming Interfaces (API's) make it simple for exporters to integrate shipping, billing, and international customs technology directly into their website or enterprise system. This can help SMEs become more efficient and deliver benefit to their customers with an improved user experience.

### **Customs Brokerage Service**

With brokerage facilities in all the top world markets (representing 76% of all international trade), UPS covers the global trading centres where SMEs do business. Brokerage services are performed with consistency, reliability, and flexibility.

### **UPS Access Point™**

UPS's network of UPS Access Point™ locations enable fast, efficient, and convenient parcel retrieval from a retail outlet such as a newsagent or grocery store. UPS Access Point™ helps retailers improve online shopping and customer service with an alternative to home parcel delivery.

### **Paperless solutions**

UPS Paperless Invoice delivers exporters convenience and peace of mind by allowing SMEs to submit trade documentation to UPS electronically, which reduces the risk of customs holds from missing or misinterpreted information.