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Strategies for exports after Brexit

A guide for clients

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Reaching international markets in 2021 and beyond.

The UK has left the EU, and for British exporters, that presents both opportunity and uncertainty.

There's potential for businesses to branch out to new markets outside of the EU, but that comes with a new set of rules and procedures to navigate now that the transition period has come to an end.

According to the Office for National Statistics (ONS), UK companies exported around £689 billion in goods and services in 2019 – a year-on-year increase of 5%.

The Government is keen to encourage more businesses to get involved, having set out its ambition in 2018 to increase exports as a share of GDP from 30% to 35%.

And while most are still recovering from the impacts of COVID-19, a recent UK Finance survey found that 42% of SMEs are now focusing their plans on the future, rather than the immediate impact of the pandemic, and 19% feel there are opportunities out there for 2021 and beyond.

If you can see your business going international over the next few years, there are certain steps you need to take to prepare.

Market research

First, you'll need to plan where you'll be exporting your goods or services to, looking at where demand lies and the process you'll need to go through to sell there.

Exporters' priorities may already be shifting as a result of Brexit, with ONS statistics showing that exports of goods to non-EU countries grew by 13.7% between 2018 and 2019, while exports of goods to EU countries decreased slightly, by 1.3%.

According to research from the Federation of Small Businesses, the US is the most important individual country for UK SMEs to trade with over the next three years, with 46% of small exporters choosing it as a priority.

However, this was followed by Germany (38%) and France (36%), and the EU is expected to remain the most important trading bloc for UK SMEs.

Prior to Brexit, the UK was automatically a part of around 40 trade deals, and more than 20 of these have been carried over into 2021.

The UK also signed a new free-trade agreement with Japan in October 2020, which is expected to boost UK-Japan trade by £15 billion, with potential opportunities for UK companies in technology, energy, life sciences and more.

The Government's aim is to secure free-trade agreements with countries covering 80% of UK trade by 2022.

Whichever country you choose to do business in, make sure you do your research. Be aware of any cultural differences or political sensitivities when it comes to business etiquette, and communicating with your target market.

If you're exporting to a market whose first language is not English, check that your brand name and any slogans or marketing copy translate well into the target language. Ideally, you should get a native speaker's opinion on this, to pick up on any subtle differences of meaning or connotations.

Preparing to export

In order to move goods between the UK and other countries, businesses need an economic operator registration and identification (EORI) number.

Before the UK's exit from the EU, it was possible to trade with the EU without one – but now, traders will need to ensure they have an EORI number that starts with 'GB' to do so.

You can apply for one on the Government's website, but be aware it could take up to five working days for you to receive it.

Another important thing to consider is how you plan to deal with customs declarations. These will need to be made whenever you import or export goods between the UK and other countries.

You'll usually need to make a full declaration before the goods arrive at the port of export, or at the time they enter the UK if you're importing them. For certain types of goods, you can apply to use a simplified declarations process instead.

If you're new to this process, you'll need to think about whether you'll manage it yourself, or hire someone to handle it for you.

Your options include using the services of freight forwarders who will arrange clearing your goods through customs, customs agents or brokers who can act as your direct or indirect representative, or fast parcel operators who can deal with customs as part of their delivery service.

Export rules can be very complex, especially when it comes to products that have extra health and safety requirements, such as plants, food, chemicals and so on, so make sure you're clear on the specific rules that apply to the goods you're trading, and how they've changed post-Brexit.

To find out about current trade agreements with the country you're exporting to, you can check the Government's list of export rules by country.

You can also use the Department for International Trade's digital tool – 'Check duties and customs procedures for exporting goods' – to find details on exporting to more than 160 countries.

Refining the details

Working out the practicalities of selling your goods internationally can be complex. How and where will you sell your product? And how will you transport it?

One option is to sell your product directly, by contacting an overseas customer and managing the process yourself.

Another is to sell your products to a distributor, who will then sell them in your target country.

You could also consider working with an international sales agent, who will find you customers and sell products on your behalf in exchange for a percentage of the selling price.

Alternatively, you could enter into a joint venture with a business that's already established in the country you want to export to.

This way, you share the risk and cost of the venture instead of taking it all on yourself, and you'll have the benefit of the other business's knowledge of the domestic markets and regulations.

Or, if you want to take a more active role and have full control over the way your goods are sold overseas, you could open a new office in your target country. This is usually expensive, and best done once you've already tested the market.

When choosing how to move your goods to their target destination, think about the costs of different methods of travel, how long they will take, how large or heavy your product is, and any special requirements such as security or export licencing.

Getting finance

Exporting can be expensive, and often comes with long payment terms, so even if you can see an opportunity to sell products abroad, extra finance might be needed to avoid cashflow issues.

Last month, UK Export Finance (UKEF) launched a new £25m scheme that aims to free up funds for exporting SMEs to cover the costs of international trade.

The General Export Facility (GEF) enables UKEF to provide an 80% guarantee to the UK's five biggest banks, who will lend the funds to support SMEs with general exporting costs.

To qualify for the funding, firms need to declare that a small percentage of their annual turnover came from export sales.

Either at least 20% of their annual turnover needs to be made up of UK export sales in one of the last three tax years, or 5% of annual turnover must relate to UK export sales in each of the last three tax years.

Graham Stuart, exports minister, said: "The new GEF will make a huge difference for entrepreneurs who need the financial backing to go global and benefit from free-trade agreements.

"We were the only top-ten exporting nation to grow exports last year. I'm determined for that success to continue as we recover from COVID-19."

UKEF can also provide:

- attractive financing terms to buyers, to help you win contracts
- support for working capital loans to help firms fulfil orders
- insurance against buyer default, to ensure exporters get paid.

You could also consider options such as bank finance or peer-to-peer lending, but always seek professional advice beforehand.

Get in touch to talk about exporting.

FOR GENERAL INFORMATION ONLY

Please note that this guide is not intended to give specific technical advice and it should not be construed as doing so. It is designed to alert clients to some of the issues. It is not intended to give exhaustive coverage of the topic.

Professional advice should always be sought before action is either taken or refrained from as a result of information contained herein.

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