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To: Growth, Economic Development & Communities Cabinet Committee - 7 March 2019

Subject: Supporting Kent Exporters

Classification: Unrestricted

Past Pathway of Paper: N/A

Future Pathway of Paper: N/A

Electoral Divisions: All Divisions

Summary:

This paper provides an update on the state of play for supporting Kent businesses with exporting. Based on project-based evidence and discussions with local partners, a proposal for a trade & export development framework for Kent has been drafted.

Recommendation:

The Growth Economic Development and Communities Cabinet Committee is asked to provide comments on the export support framework and pilot initiatives outlined in annexes 1, 2 and 3.

1. Introduction

- 1.1 Exporting is a proven route to business growth. Companies that export are 11% more likely to stay in business¹, show higher productivity and tend to be more innovative than non-exporters. Selling products or services overseas can be a challenging and complex process for small firms. Export levels from Kent companies have tended to be lower than those elsewhere in the South East. Productivity and income per head in Kent is also lower than elsewhere in the South East.
- 1.2 Kent County Council has been working closely with business support organisations and strategic partners for several years to boost Kent export levels and support Kent exporters under the 'Kent International Business' (KIB) umbrella programme.

2. Current Support for Exporters in Kent

- 2.1 The key export support organisations in Kent (the KIB partners) meet together regularly to plan activities and consider solutions to challenges faced by existing and potential exporters. This ensures that Kent businesses have access to the right support at the right point of their export journey.
- 2.2 Support programmes for exporters in Kent include the core services offered by the Department for International Trade, Kent Invicta Chamber of

¹ Figure from 'UK Trade & Investment' (now the 'Department for International Trade')

Commerce and Enterprise Europe Network as well as bespoke, externally-funded programmes of support including several Interreg projects such as Boost4Health which provides micro-financing for Kent Life Science companies to help with internationalisation. These services help potential and existing exporters ranging from product adaptation and market selection to identifying overseas business contacts and getting paid for products and services supplied.

3. The SME Internationalisation Exchange (SIE) Project

3.1 Over the last three years, Kent County Council has led the first phase of a €1.2m European Interreg project called SIE. The project aims to review and improve SME Internationalisation support policies and programmes while tackling the challenges faced by small companies exporting their goods or services. The project connects Kent to partner organisations from six European regions². Each project partner is also supported by a group of local stakeholders with a role in helping exporters in their own regional context. The seven stakeholder groups bring together over 30 public authorities, business membership organisations, sector agencies and financing organisations who have shared expertise and distilled lessons from some of the best projects and programmes.

3.2 In Kent, the SIE project has so far enabled us to:

- Fund two reports from the Kent Business School which provided an evidence-based, up-to-date overview of export activity in Kent, barriers to exporting and recommendations about how to adapt support services to meet the evolving needs of local exporters. The reports are available here: <https://www.interregeurope.eu/sie/sie-research-work/>;
- Learn from inspiring and effective business support initiatives in other European regions (see **Annex 1**) which tackle many of the challenges also faced by Kent firms;
- Review Kent's business support programmes and how they might become more effective in helping Kent exporters, especially in times of uncertainty;
- Draft a 'Framework for Supporting Kent Exporters' (**Annex 2** of this report) and a supporting 'Kent action plan' (see **Annex 3**) to be implemented during phase 2 of the SIE project which runs from April 2019 to December 2020.

4. Revitalising Support for Exporters in Kent: SIE Phase 2

4.1 The KIB partners are keen to further unlock Kent's export potential and to provide additional public support where this adds value. Having gathered evidence through the study work and after seeing some very successful export support schemes from Kent's partner regions, the KIB partners are now proposing 3 pilot actions to be implemented during phase 2 of the SIE project. This provides a unique opportunity to take on board elements from some of the very best support programmes available to companies in Europe and adapt them to the Kent context:

² The Molise Regional Authority (Italy), Ústí Region (Czech Republic), Nbank Public Investment Bank for Lower Saxony (Germany), Toruń Regional Development Agency (Poland), International Chamber of Commerce for Nouvelle-Aquitaine (France), Chamber of Commerce for Cantabria (Spain)

1. **Streamlining the current 'KIB' support** offer into a more 'staged journey' of support based on the 'Export Pathway' programme from France;
2. Piloting an '**Export Manager' scheme** by upskilling an existing employee or providing additional Internal Resource to work with companies to help develop the international side of the business;
3. Creating an **Export Cluster** of Kent food & drink companies to develop a consolidated, joint international offer.

4.2 The Kent International Business Partner organisations have endorsed these pilot actions and will play a key role in their implementation.

5. Financial Implications

5.1 The KIB model pools the existing staff and financial resources of the main partner organisations to provide support to local businesses. The SIE project will cover 85% of the estimated costs of the proposed pilot support schemes (€120,000) and the remaining 15% is provided by Kent County Council through 'in-kind' staff time. KCC and the KIB partners will continue to investigate additional external-funding opportunities to support export-related opportunities in the future including the UK Shared Prosperity Fund.

6. Legal Implications

6.1 There are no legal implications foreseen for Kent County Council related to the implementation of the Export support framework or the pilot initiatives but any 'state-aid' support granted to businesses through the new pilot programmes will be monitored by Kent County Council.

7. Equalities Implications

7.1 Equalities impact assessments will be carried out for the pilot initiatives prior to their implementation to ensure that they align to KCC's equalities and diversity standards.

8. Data Protection Implications

8.1 A Data Protection Impact screening assessment will be carried out prior to any data processing.

9. Conclusion

9.1 Exporting is an effective way for businesses to grow. While international trade has increased in Kent during the last few years there is still a lot of untapped potential for companies to sell their products and services overseas. In response to the findings of recent studies in Kent and through seeing best practice examples of export support schemes elsewhere, the key export support stakeholders in Kent now have an opportunity through the SIE project to work together to tackle challenges faced by potential and existing Kent exporters.

10. Recommendation:

- 10.1 The Cabinet Committee is asked to note this report and to provide comments on the export support framework and pilot initiatives outlined in annexes 1, 2 and 3.

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Annex 1: Summary of SIE Project Best Practice Case Studies

Three main types of successful support services emerged from the SIE study visits and within those, some best practice examples of support schemes were identified:

1. Developing human capital & maximising outreach

- **Go & Come Back project**– international placements for graduates from the Molise region in Italy to develop international business skills and grants to create international companies in the region
- **Export Manager Programme** – a national scheme demonstrated in Cantabria, Spain which places high-level graduates abroad to gain international business skills before allocating them on a subsidised basis to work for companies to develop export activities

2. Creating Networks of Support

- **The 'Parcours de l'Export' (Export Pathway) programme** which brings together a range of very structured support services and providers into a coherent package in Nouvelle-Aquitaine, France
- **Kent International Business** – an umbrella programme bringing the different support agencies and programmes together
- **Regional Overseas Offices** – a network of overseas contacts and offices abroad which can provide tailored support to companies from Lower Saxony

3. Facilitating clustering or collaboration of companies

- **HORECA International Cluster** – Torun Development Agency in Poland financed the creation of a cluster of small companies which work together to bid for international contracts in the hotel refurbishment industry
- **Export Consortia** - the regional development agency in Cantabria financed the creation of consortia of like-minded companies to work together to bid for international contracts e.g. the 'Santander Metal Group'
- **Zatec Hop Cooperative** – a company which works on behalf of 100 hop producers in the region and takes care of international market intelligence, marketing, sales and after-sales support

Further details of these case studies are available to view on the SIE website:

<https://www.interregeurope.eu/sie/sie-case-studies/>

1. Introduction:

Trading internationally is a proven route to business growth. Exporting includes selling services or products to overseas customers either directly or indirectly as part of a wider supply chain. “**Businesses that export are more productive, create more jobs, and pay higher wages**”ⁱ. Exporting also encourages **innovation** and boosts **competitiveness** but it can be more complex than doing business domestically.

While larger companies tend to have the resource to invest in export strategies and can dedicate specific resource to international trade, small firms in particular can lack the capacity or knowledge of international trade processes which can prevent them from exploring overseas business opportunities.

The government’s 2018 Export Strategy outlines an ambition to raise British exports as a proportion of GDP from 30% to 35%. Working to further boost Kent’s export levels will make a key contribution to this.



Case Study: Fudge Kitchen is a well-established producer of premium confectionary products based in Kent. The company decided to explore export markets as a way of growing the business and tackling the problem of seasonality associated with its products. After investing time in creating new recipes with an extended shelf-life for international markets, the company applied for a space on an EU-funded Kent stand at an international fine food trade show in Belgium in 2012. Driven by significant interest in the

products, the company worked on its packaging, labelling and even on bespoke flavours for certain overseas markets. Fudge Kitchen worked closely with the Department for International Trade, Kent County Council and other local partners and has taken advantage of various opportunities to join market visits and benefit from tailored advice and Kent’s international networks to grow its exports. The company now regularly exhibits at international trade shows and, by 2018, 15% of the company’s turnover was export-related. Fudge Kitchen now plans to double its export turnover in the next 5 years.

2. The Kent Context:

Back in 2010, a study confirmed that Kent was lagging behind the wider South East with regard to export levels. Many companies didn’t see a need to internationalise or realise that there might be potential in overseas markets for their products or services. Firms lacked knowledge and information about how to internationalise and found the business support landscape confusing meaning that they did not know where to go to obtain suitable support.

Since then, Kent County Council has been working closely with a range of business support organisations and local and international partners under the ‘**Kent International Business**’ (KIB) umbrella to consolidate the support offer in Kent for exporting, to identify and facilitate international business opportunities for local firms through taking advantage of externally funded projects. Activities have focused on three main areas of activity:

1. **Engage:** raising awareness among local companies about the benefits of exporting and potential overseas business opportunities;
2. **Incubate:** helping to develop export potential within companies and connecting them to contacts and opportunities in international markets;
3. **Grow:** increasing export activities within Kent businesses and celebrating success to inspire other companies to consider internationalisation.

These efforts have resulted in increased export levels in Kent in recent years but there is still a lot of untapped potential in the county for local firms to target international markets for the first time or for existing exporters to expand further overseas.

This framework for supporting Kent exporters aims to further unlock the export potential of Kent companies which will lead to the growth of individual firms and boost the wider local economy.

This framework takes into account the 2017 ‘Kent SME Internationalisation Study’ⁱⁱ, feedback from local businesses and examples of successful internationalisation support initiatives run elsewhere.

3. Barriers to Internationalisation:

Whereas in the past, internationalisation was often a reactive process to unexpected enquiries from overseas and companies became 'accidental exporters', exporting is increasingly becoming a strategic decision for Kent SMEs, which firms take in order to increase growth and profits.

Companies wishing to export however, still face challenges which can prevent them from investing in international activities. The main barriers to exporting highlighted by companies include:

Main barriers identified nationally ⁱⁱⁱ	Main barriers identified in Kent ^{iv}
Access to finance	Exchange rate & currency fluctuations
Limited networks & contacts abroad	Finding the right partners & distributors
Market access issues & trade barriers	Finding access to local markets & reliable local contacts
Lack of capacity and capability	Lack of internal resources
Lack of knowledge	Logistics & distance
Attitudinal barriers	Time consuming
Limited global awareness of the UK's strengths & capabilities	Local (in-market) bureaucracy

Internationalisation Facilitators:

The 2017 study confirmed that the **availability of internal resources** and **advice on where to find information about markets, potential customers and distributors** are the key factors that can influence a decision to internationalise. Existing exporters also value help with **marketing abroad, managing international trade finance** and connecting to reliable in-market contacts.

Kent companies consider advice and support important, but they require access to **specialised information** which requires a tailored approach to individual firms rather than very general advice and support. Access to this type of specialised information could have a positive effect to the more

efficient distribution of internal resources within firms thus tackling the most important barrier to internationalisation.

4. Export Support in Kent:

Many business support schemes and projects have been available to Kent businesses under the KIB programme in recent years consisting of core services offered by key partners such as the Department for International Trade (DIT), Enterprise Europe Network (EEN) and Kent Invicta Chamber of Commerce (KICC). These have been complemented by bespoke programmes including '2 Seas Trade', 'GREAT Food from Kent', 'Boost4Health' and 'Innovative Sector Exchange'. Through these programmes, the KIB partners have worked together to deliver the following activities to help Kent firms with internationalisation:

- Awareness raising activities:
 - Local events such as 'Doing Business in...' or 'Routes to Market'
 - Communication activities such as the KIB website, newsletters, highlighting the latest international business opportunities
- 1-2-1 advice and support from DIT, EEN and other partners
- Partner finding services from EEN and access to DIT 'meet the expert' and 'meet the buyer' programmes
- Export training programmes run by DIT and KICC
- Sector-focused market visits to European countries and other destinations
- Visits to international business events and sector-focused trade shows
- Bespoke Kent stands at international trade shows
- Celebrating success through the KEIBA awards and inspiring other companies to consider exporting
- Financial support for international projects, trade show visits and overseas market research

The private sector, primarily through professional services bodies (banks, accountancy firms etc.), has also supported these activities in Kent and also delivered its own initiatives.

The challenge for export support in Kent is ensuring a continuity of appropriate business support services and responding rapidly where new specific support interventions may be needed. Many initiatives are time-limited due to a reliance on European or external funding while evolving

priorities and resource reductions can have an impact on the services offered by some of the KIB partner organisations. However, the KIB partners are aware of current support on offer and can advise companies about any changes accordingly.

As an umbrella programme, KIB brings together different services, programmes and organisations that aim to help local companies with internationalisation.



Core Partners



Time-Limited Projects



Kent's International Connections and Networks

(Sector groups, clusters, public authorities, business support organisation)

5. Feedback from companies:

Although awareness and use of export support services in Kent could be higher, businesses which have accessed the various support services on offer have generally found them to be very valuable:

"I was most impressed by the organisation and help the [KCC] team provided at Tavola 2016. This allowed us to concentrate on lead generation and talking to prospective customers without the hassles of stand organisation. As a small company your approach allowed Kent products to be showcased in a far more professional way than would have been possible on our own. The baton is firmly in our hands to chase up & hopefully convert leads into business." Anno, March 2016

"We are extremely grateful to Enterprise Europe Network for helping to connect us with new manufacturer for our products as we had struggled to find anyone ourselves who could provide what we needed. Through using EEN we were able to find manufacturers who could provide exactly what we needed. We are now working with one company in Macedonia for our long-sleeved tops and another company in Portugal for our sweatshirts. We estimate that, as we expand our business around the world and increase

Goudhurst-based **Adris Technologies** specialises in researching, developing and creating technologies that detect and help people suffering from epilepsy and heart conditions. Through Kent County Council's Boost4Health project, the company was able to secure a travel grant to visit 'Medica 2017', the world's largest trade show for medical devices and technology where it was able to showcase its PulseGuard brand.

Operations Director Rick Gun confirmed that "the advantages gained by visiting Medica cannot be overstated, the contacts and meetings that resulted from this event can be directly linked to the root cause of some strategic changes since 2017, allowing us to achieve significant growth into new areas of Europe. We are currently working with the Boost4Health project at KCC to secure market insight grants worth €3,000 for us to capitalise on the successes of attending Medica."

The Boost4Health support went hand in hand with expert advice provided by the Department for International Trade in Kent.

our quantities, [these arrangements] could save us around £50,000 a year.”
Milky Tee Company, December 2018

“There’s this lovely Government department, helping small businesses. It’s small businesses that really need it, that don’t have the money or the staff to look into these opportunities”. Wild Plant, Sep 2017

6. What works elsewhere:

Kent companies have had access to some varied and high-quality support initiatives there are other schemes that work well elsewhere which could be beneficial if rolled-out in Kent. Several such programmes were identified through the SME Internationalisation Exchange Project and Kent organisations have been able to review support mechanisms that work well in other European countries.

1. Developing Human capital:

The Spanish ‘**Export Manager**’ placement scheme run by ICEX (Spanish Trade Development Agency) organises international placements for Masters degree student around the world. These people then return placed within companies to develop the business and the post is subsidised by this national scheme.



2. Creating Networks of Support:

With some similarities to the KIB programme, the ‘**Parcours de l’Export**’ (Export Pathway) programme from the Nouvelle-Aquitaine region in France provides a very structured flow of support services for local companies to help them with all aspects of exporting. The International Chamber of Commerce coordinates the overall programme and works closely with other organisations to deliver 1-2-1 diagnostics, training courses, help with market selection and export strategy development to tailored advice and guidance. Coupled with programmes of trade shows and finance schemes, companies receive the support that they need.

3. Facilitation Clustering or collaboration of companies:

The **Clustering for Internationalisation** programme in Kujawsko-Pomorskie, Poland has brought together groups of complementary companies to work together to access contracts in international markets as part of a formal cluster. The Horeca cluster brings together companies working on all aspects of the design and refurbishment of hotels and restaurants from design and lighting to

furniture production and installation. This approach enables small companies with limited capacity on their own to be able to export their products or services to international clients by contributing to a competitive ‘one shop stop’ solution.

7. Working to Boost Kent’s Export activities:

Based on the evidence provided through the SIE project study work, the Kent International Business partners will continue to work together to further develop Kent’s export potential and to respond to the evolving needs of local firms.

Where further public sector interventions would be valuable for local businesses, the Kent International Business partners and associated organisations will:

- Work together to tackle the barriers identified by Kent businesses which hinder export activities;
- Design, commission and deliver a range of activities that facilitate the internationalisation of Kent firms.

We will work to help Kent companies:	Through developing and delivering activities including:
1. Become Export Ready	<ul style="list-style-type: none"> • 121 advice, and diagnostics • Training course and workshops • Providing access to simple, up to date information • Formalising the KIB support offer into a coherent & integrated pathway of support
2. Access international networks and partnerships	<ul style="list-style-type: none"> • Formalising international partnerships • Partner-finding initiatives • Facilitating meetings with overseas contacts
3. Identify business contacts in overseas markets	<ul style="list-style-type: none"> • Organising and facilitating access to meet the expert and meet the buyer events

4. Showcase their products and services abroad	<ul style="list-style-type: none"> Facilitating access to international exhibitions and trade events
5. Identify and highlight opportunities to bid for international contracts	<ul style="list-style-type: none"> Securing and sharing market intelligence with Kent firms about overseas business opportunities

Main barriers to exporting	Potential Solutions to tackle these barriers:
Exchange rate & currency fluctuations and access to finance	<ul style="list-style-type: none"> Work with the private sector and UK Export Finance to provide guidance and solutions to help companies to plan Explore a Kent Export Finance scheme to help companies fulfil export orders
Finding the right partners & distributors	<ul style="list-style-type: none"> Promote and maximise the use of services such as EEN Partner Finder and DIT's embassy network Work on Kent's export offer and highlight this to potential overseas contacts
Finding access to local markets & reliable local contacts	<ul style="list-style-type: none"> Maximise Kent's existing international networks and develop new ones to connect Kent businesses to opportunities overseas Helping Kent companies to better understand their place in international supply chains
Lack of internal resources, time consuming	<ul style="list-style-type: none"> Consider an export manager scheme for Kent companies to provide additional resource for potential exporters Develop an 'international trade skills' mentoring and training programme for existing company staff
Logistics & distance	<ul style="list-style-type: none"> Work on a scheme which could group and consolidate complementary Kent products to facilitate access to overseas markets
Local in-market bureaucracy	<ul style="list-style-type: none"> Work through DIT and with international partners to help companies to navigate the evolving international regulatory environment

Future areas for exploration could include:

- Developing an **export micro-financing scheme**
- Fund further **trade show stands** for Kent companies

- Consider **twinning activities** with target international markets which could lead to contracts being awarded to groups of Kent companies
- Develop a **cross-border cluster programme** to provide concrete peer-to-peer international business networks through a further European Interreg project application.

To support these objectives we will:

- Promote and make best use of **existing core services** from the KIB partners and other organisations in Kent
- Design and implement **new support service solutions** to help Kent companies with exporting
- Work to retain **Kent's current international networks** and partnerships and explore new ones where there is a clear benefit to doing so;
- Focus on developing **bespoke support activities for Kent's main industry sectors** as well as those that are emerging;
- Ensure that the **right support is available** for companies of all sizes and from all industry sectors;
- Work to **reduce bureaucratic obstacles** where these get in the way of exporting activities.

Resources:

The KIB partners will work together to:

- Pool existing budgets and resources to align and streamline activities including referral processes between different support organisations;
- Draw down co-financing for pilot actions in Kent from the Interreg Europe 'SME Internationalisation Project';
- Tap into resources from the private sector (including sponsorship);
- Continue to identify external funding to deliver innovative programmes of support which meet the evolving needs of Kent firms.

This framework was developed as part of the Interreg Europe 'SME Internationalisation Exchange (SIE) Project.



European Union
European Regional
Development Fund



ⁱ BIS (2011), International trade & investment: the economic rationale for government intervention.

^{ii & iv} The Kent Business school 'Kent SME Internationalisation Study' was commissioned by KCC as part of the EU-funded Interreg SIE project in March 2017

ⁱⁱⁱ [HMG Export Strategy](#) - supporting and connecting businesses to grow on the world stage

Annex 3: The SIE Project Kent Regional Action Plan: Selection of Pilot Actions

Based on the recommendations from the 'Kent SME Internationalisation' study work carried out in Kent and through being inspired by effective export support interventions in the SIE partners regions, the KIB partners are proposing the following pilot actions which will take place in Kent during phase 2 of the SIE project:

Proposed Pilot Actions in Kent:

The Kent International Business Partners will request that the following actions be supported through the second phase of the SIE project:

1. Creating Networks of Support:

- **Streamlining the current 'KIB' support offer** into more of a staged journey along the lines of the 'Parcours de l'Export' programme in France.
- Developing a **shared CRM system** with key support providers (KCC, DIT, EEN, KICC) to ensure that a more seamless package of specialist support is provided to Kent companies inspired by the new 'Team Export France' approach from Nouvelle-Aquitaine.
- Creation of a **comprehensive Kent company database** to identify companies with export potential (by sector). This is inspired by the Cantabria & Molise regions who know all companies and their export activities.

2. Providing Internal Resource for companies:

- Pilot an **export manager scheme** to provide additional funded-resource for companies interested in exploring international markets (inspired by the Export Manager scheme in Spain and the CCEF advisors programme in France).
- Explore the possibility of developing a **student/graduate placement scheme** whereby international students or those with relevant fields of study are placed within Kent companies to carry out international market research activities.

3. Consolidation for Export purposes:

- Working with groups of smaller (food & drink) companies to form consortia/clusters to develop a joint export offer where the companies lack the capacity to export on their own

These pilot actions will respond to the following specific recommendations which from the Kent SME Internationalisation Study:

- Kent SMEs lack the ability to develop external networks. Being part of external networks would allow for the utilisation of other firms' international experience. Future policy should aim to address this by focusing on the **creation of external networks and linking SMEs with suitable international partners** as these would facilitate access to a wider range of international markets.
- Internal barriers also exist and relate to informational issues causing **SMEs no or limited access to important information about internationalisation, functional challenges** that correspond to **resource constraints** faced by SMEs, and finally **operational barriers** that relate to marketing strategic choices and individual product characteristics.
- The need for a **more focused approach to supporting the internationalisation efforts** of SMEs.
- The **lack of access to funding** as well as lack of awareness of relevant funding schemes.
- Companies still consider advice and support important, but they require **access to specialised information** such as access to target customers and marketing knowledge.