

Going global for growth

Capturing the international
opportunity for UK business



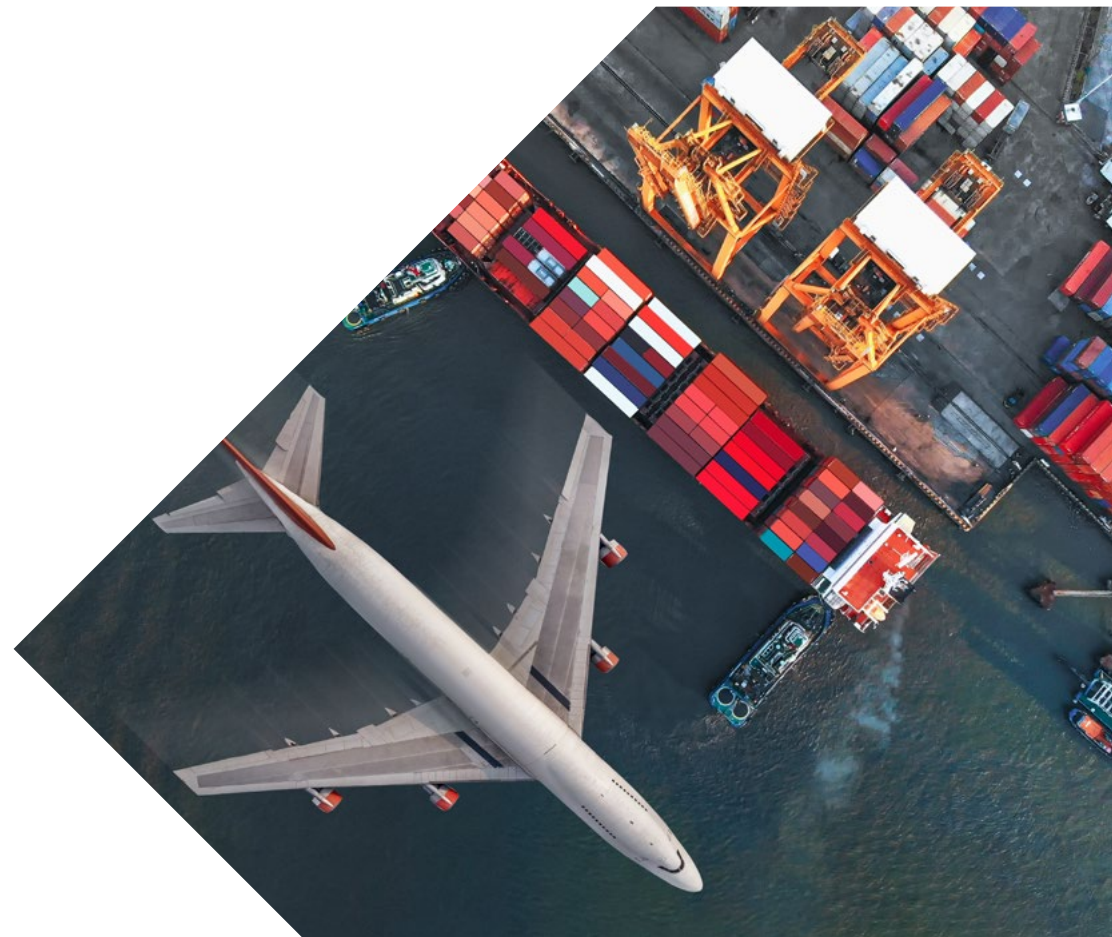
HSBC UK

| Opening up a world of opportunity

Volume 2

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Foreword

Welcome to our second 'Going global for growth' report, which provides a snapshot of the evolving attitudes and progress of UK businesses towards international growth.

The dynamism of the UK's international trade activity is integral to the future health and growth of the domestic economy. In the year to July 2023, UK businesses exported goods and services valued at almost £850bn,¹ marking a significant advance on pre-pandemic trade levels. Estimates for 2023's overall global trade growth have taken a knock since then, but the 2024 forecast remains strong at 3.3%.²

This latest research captures the views of more than 1,360 enterprises in every sector of the economy, and from across the country. Many already operate in international markets, and significant numbers of those have plans to expand their reach further. Of the remainder, some intend to push overseas, while others are deterred by a range of perceived hurdles.

I am delighted by the year-on-year increase in international growth intentions, and by the encouraging rise in the number of businesses aiming to take their first steps abroad. It is disappointing that we still see low numbers of businesses saying that they approach their bank to support these ambitions: an international bank, with the right experts and global reach, can provide invaluable support to businesses as they expand internationally. I want to assure UK businesses that HSBC UK is ready to help them turn their international goals into reality, by helping to mitigate the risks of new market entry and acting as a partner on their global journeys. With our global footprint,

innovative product solutions and award-winning expertise, we are recognised as a leading bank capable of supporting UK businesses trading overseas and have been voted the number 1 bank for trade seven years in a row.³

Our on-the-ground presence in more than 50 markets, which means thousands of staff in full service branch networks using their broad and deep local knowledge and connections to support local and international client bases, is a prime advantage here. Daily, we deploy our expertise to guide businesses through every step of international expansion, to point them to practical opportunities such as free trade agreements and high-growth markets, and to help tackle financial and logistical challenges. We can provide working capital facilities that are tailored to each customer's trade cycle, or solutions that minimise international trade risks.

International trade growth benefits individual businesses and the UK economy as a whole. We are determined to help UK enterprise open that world of opportunity.



Stuart Tait
Head of Commercial Banking,
HSBC UK

¹ <https://www.gov.uk/government/statistics/uk-trade-in-numbers/uk-trade-in-numbers-web-version>

² https://www.wto.org/english/news_e/news23_e/tfore_05oct23_e.htm

³ <https://www.euromoney.com/article/2bpjdx891e2j11bp64lj4/awards/awards-for-excellence/the-worlds-best-bank-for-trade-finance-2023-hsbc>

Executive summary

This research is based on survey responses from 1,362 businesses in the UK, with research carried out during September – October 2023. All businesses taking part had annual turnover between £100,000 and £1bn.

Significant changes since 2022

- ◆ More international businesses are now seeking significant growth (+2%)
- ◆ More domestic businesses are seeking to go international (+2%)
- ◆ More growth-focused international businesses are investing in improving their products (+13%)
- ◆ Fewer international businesses see major challenges in skills challenges (-9%) and costs (-9%)
- ◆ Growth in friend-shoring (+8%) and near-shoring (+5%) among growth-focused international businesses
- ◆ More businesses reported difficulties in accessing capital and financing for international growth (+7%)
- ◆ Greater use of free trade agreements (+5%)

Key findings of the research include:

International businesses are bullish about growth ambitions

- ◆ 87% of UK businesses that trade internationally are looking to grow over the next year – 33% expect significant growth
- ◆ International businesses are much more ambitious about their growth potential than domestic-only traders (66%)
- ◆ Of those looking to expand, 79% gain at least a fifth of their income from international trade
- ◆ Europe remains a popular target for these businesses (60%), with 46% looking to the US/Canada, 28% to the ASEAN countries and 27% to China

More businesses are looking to go international

- ◆ 10% of UK businesses are not currently international but have ambitions to trade overseas, up by 2% from last year
- ◆ Applied to the UK as a whole, this equates to 450,000 businesses nurturing notions of global growth
- ◆ Access to more financial support or tax relief could persuade at least 13% more to step onto the international stage
- ◆ When combined, this equates to over 1 million businesses with the potential to access international markets for the first time

Staying competitive is a key challenge for 2024

- ◆ Improving competitiveness of offering has been key to recent growth for 40% of growth-focused international businesses
- ◆ 30% see competing on product quality and pricing as a challenge
- ◆ This area will remain a focus for 2024, with 28% intending to improve product quality

Technology is increasingly integral to global success

- ◆ 44% of international businesses looking to expand are making more use of digital services
- ◆ Third-party digital tools are increasingly being embraced to support international needs, and are seen as highly useful
- ◆ Growth-focused international businesses are especially dependent on tech for sales and delivery (66%) and for communication and data analysis (63%)

Better trade deals would help the UK become more competitive

- ◆ Improving trade deals is seen as the biggest factor that could enhance UK competitiveness, cited by 48% of businesses
- ◆ Around one in five now use free trade agreements, and a further 23% would consider doing so

Broader horizons

Outward-looking businesses see the value of going international to unlock growth and fulfil their full potential.

New dimensions

Our survey reveals a confident UK business community that is hungry for growth. And a key factor in sharpening firms' appetite and capability for expansion is an international perspective.

Just over four in 10 companies are currently trading internationally. Manufacturing companies are most likely to look beyond the domestic market – 79% are doing so. They are also the most likely to be planning expansion, alongside businesses in the IT and telecoms sector.

Trading across borders is closely aligned with strong growth ambition: 87% of international businesses are aiming to grow over the next year, according to our research, compared to 66% of domestic-only firms. This difference is especially marked among small and medium businesses. While only 56% of SMEs overall have growth ambitions at present, 85% of those who trade overseas have plans to expand.

“ This is a natural alignment. Many businesses are aiming to grow within the UK market, but international trading opens up new dimensions of possibility that can enable businesses to grow faster and mitigate risk at home.”

Stephanie Betant

Head of Global Trade and Receivables Finance, HSBC UK

Business growth ambition – next 1-2 years



- Looking to grow significantly
- Looking to grow steadily
- Looking to maintain
- Looking to reduce

Self-fuelling growth

Success breeds success when it comes to overseas trade. Businesses that have been able to grow internationally despite recent uncertainty are now looking to expand further. The higher the turnover from international activity, the better equipped businesses are to continue that expansion. Of those looking to expand further, 79% gain at least a fifth of their income from international trade.

What are the key factors in successful international expansion? Inevitably, rising demand in specific markets is key, while many businesses also cite the competitiveness of their offering abroad.

However, 36% also point to business strategy changes they have made in their markets – rising to 46% among businesses planning for significant growth. For example, around a third of international traders have adapted their supply chains in response to supply challenges and increased costs. The same proportion have also deployed technology, highlighting how digital solutions support borderless transactions.

These high-growth businesses are also more likely to say they have set up new premises abroad (36%, compared to 26% overall).



The English wine company with global ambitions

After building a successful wine business in the UK, Boutinot's practical approach to international growth is taking the company from strength to strength. Explore how the company is developing its global operations with support from HSBC.

[Find out more](#)



Adapting to thrive

Success in overseas markets can be challenging, but recent difficulties are starting to ease as businesses find creative ways to adapt.

Pressures off?

The cost of doing business overseas, such as shipping and freight, is cited by notably fewer firms this year. This is likely due to a global reduction in fees, but businesses have also had time to find creative solutions. “We now store equipment in a combined warehouse with other companies, to make storage and shipping/transport cheaper,” reports one hospitality business. Together with the addition of online services, this has enabled the company to offer more competitive pricing.

The current economic uncertainties have made it harder for some to gain access to capital or financing. 24% of businesses seeking to grow internationally are facing difficulties here, up by 7% on last year.

See 'Challenges to business through 2024' chart on next page.



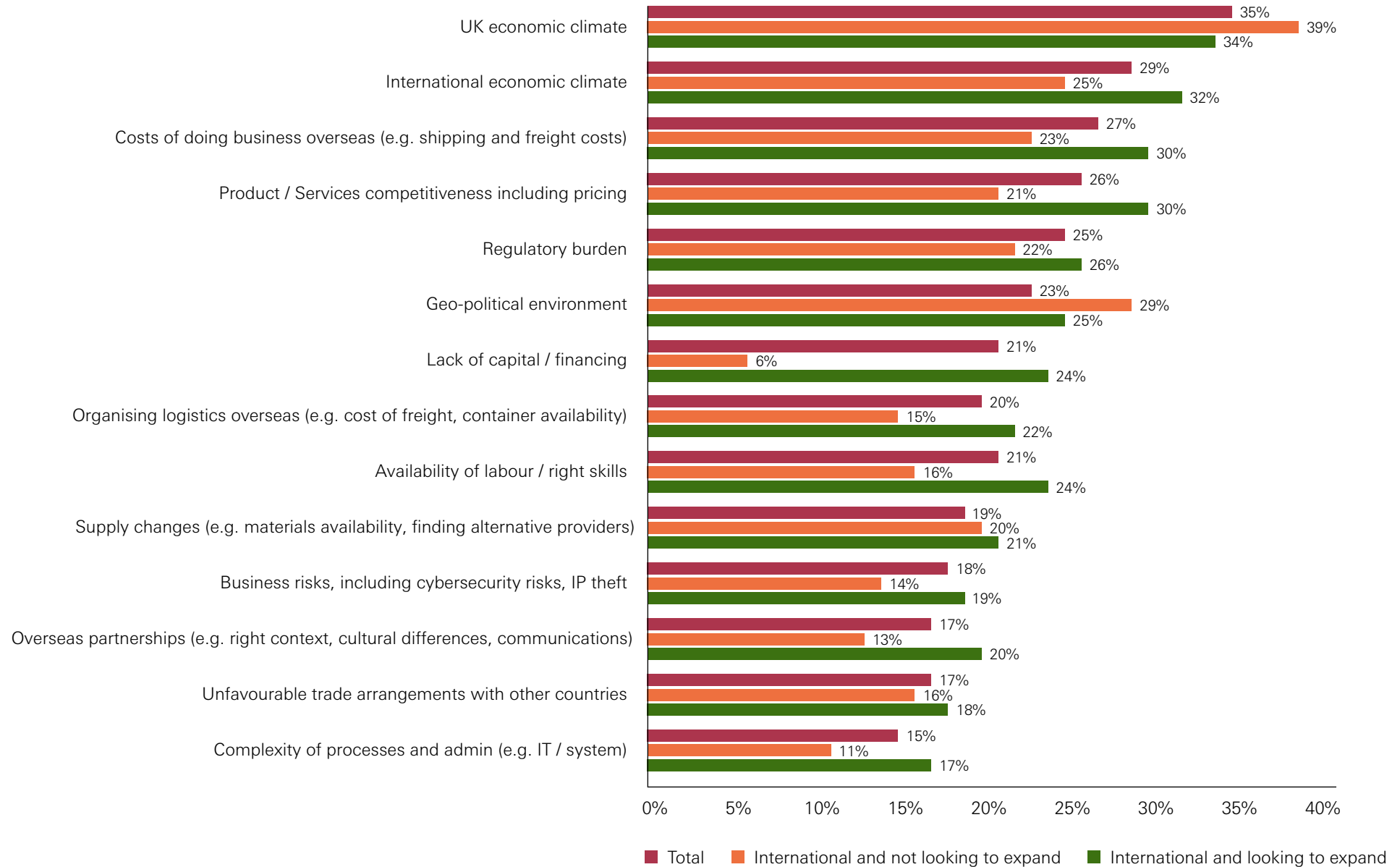
Combining culture and technology to accelerate growth

A strategic mix of innovative marketing technology and customer centric focus have enabled adm Group to establish a unique global presence. Discover how the company leveraged HSBC's global network to support its international growth journey.

[Find out more](#)



Challenges to business through 2024



Turning to tech

A retailer has switched to online payment services to reduce transaction delays. A legal services SME has begun providing its services electronically, improving client engagement while reducing overheads. A business owner in the IT and telecoms sector reports: “I optimise the use of remote services, and engage more workers online, as part of the business expansion process.”

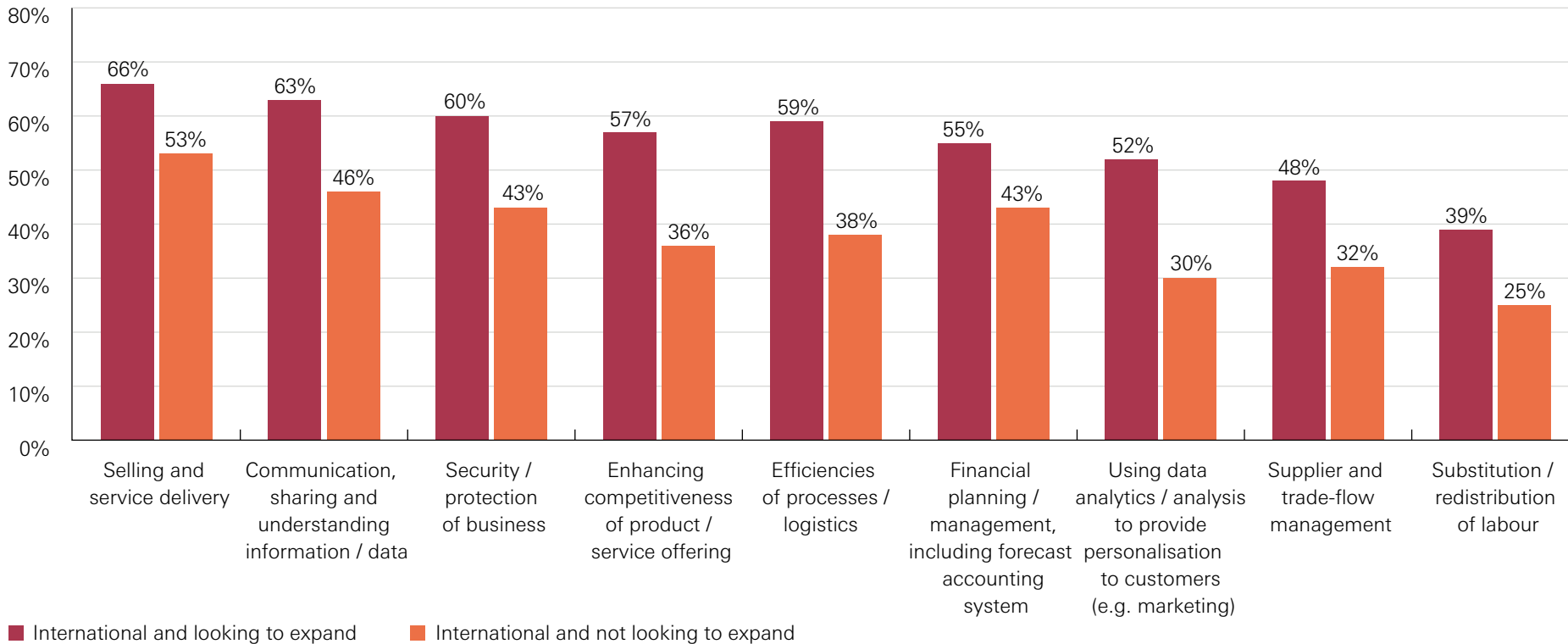
These respondents are among an increasing number of businesses who are embracing technology – from cloud solutions to artificial intelligence – as part of the answer to the challenges set out on page 8. In particular, international businesses are deploying tech for sales and service delivery, communication and data analysis, and security and business protection.

Competition and efficiency

With three in 10 internationally-expanding businesses citing product competitiveness as a major challenge, many players are raising their game in response. 28% of these firms are working on product quality improvements as a means to succeed overseas, up by 13% on last year.

Meanwhile, businesses continue to revise their supply chains to counter recent availability issues and ensure resilience. The number of businesses looking at switching to suppliers in friendly territories (friend-shoring) or closer to home (near-shoring), has doubled. With suppliers more easily accessible, this will help them mitigate risk and drive efficiencies, and we expect these trends to continue.

How important is technology in supporting the following areas?



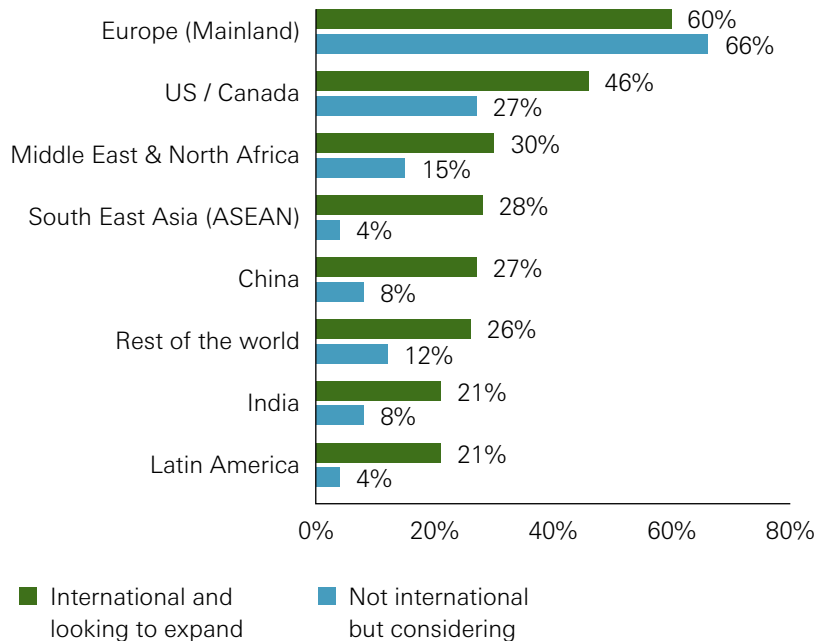
Mapping opportunities

Europe is still strongly favoured as a target market, but businesses are seeking external support from new sources.

Target territories

Europe remains firmly at the heart of UK trade relations, even as businesses perceive it as harder to do business there. As one tech business notes, "Better access to Europe would make life a lot easier for us," citing lost membership of the Import One Stop Shop for VAT.

Areas of future growth intention



Nevertheless, Europe is still the favoured target for market growth. This applies to those who wish to start trading internationally, but also to export veterans seeking to expand: among the latter group, Europe's popularity has risen by 7% over last year. But this group is also focusing harder on the US and Canada (up by 9% over last year) and, especially, China (up 11%).

Meanwhile, opportunities in India – now the world's most populous nation, with an estimated 432m people defined as middle-class⁴ – are a particular focus for the most ambitious businesses. 27% of those aiming to grow significantly are focusing efforts on the sub-continent, compared to 21% overall. The same pattern is seen in the 10 ASEAN states – a dynamic region of over 8 billion people – a target for 33% of those businesses aiming for significant growth, compared to 28% in total.

It's clear that international businesses seeking to expand further are more likely to be operating in more markets at present, giving them a bigger launchpad for growth. For example, just over one in three of this group say they are already active in China or South East Asia, 28% in India and 63% in the US and Canada.

4 <https://www.ft.com/content/be53790c-aa16-4e5c-9410-bac189fb2636>

Sources of support

The pivot to digital is evident even in the external sources businesses use to support their international activities. While traditional industry events (40%) and trade bodies (28%) remain valuable to many, their popularity is significantly down on last year; by contrast, there is a notable rise in the numbers trusting in third-party digital tools for this purpose – for example, databases that help source trade partners or track up-to-date export tariffs.

Nevertheless, the value of personal experience and guidance is still unbeatable, according to respondents. They rate advice from their colleagues and peers as the most helpful form of support.

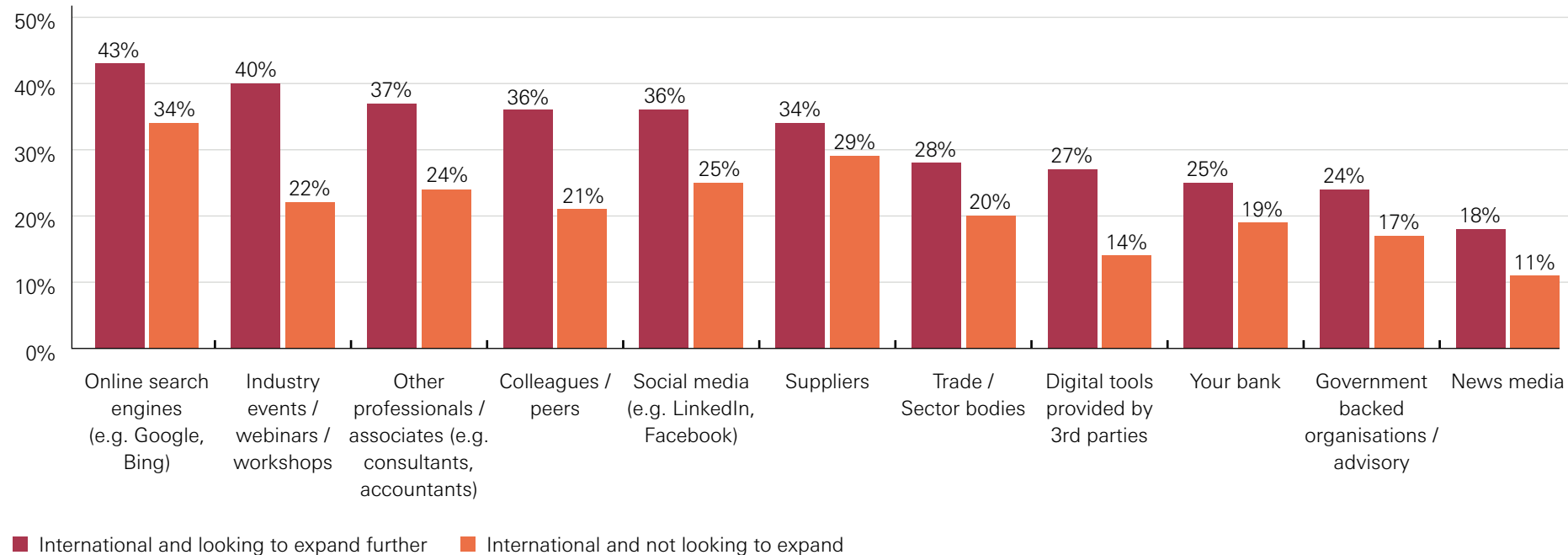
The support role of external organisations such as sector bodies and banks have a net positive view, but are perceived as offering the lowest levels of helpfulness. And only 24% have used government-backed organisations to support their international needs, which represents a significant untapped resource.

“ Learning from the experience of contacts in your sector or supply chain is invaluable, but it’s also well worth tapping in to the expertise and insights of professional partners and stakeholders – they can often point you to useful ideas and sources of support.”

Stephanie Betant

Head of Global Trade and Receivables Finance,
HSBC UK

Areas of support accessed to support international needs



Honing UK competitiveness

More businesses are taking advantage of trade deals – and many feel that tighter agreements in future would improve UK competitiveness.

A boost to trade

"We're looking at brands from New Zealand, as the trade agreement has improved," a retailer says – one of several respondents to cite trade deals as a spur to their revenue growth.

This year's research records a 5% leap in UK businesses making use of free trade agreements (FTAs). Around a fifth are doing so, with a similar number saying they would consider deploying FTAs.

Seal more deals

At a wider level, however, businesses are keen to see further refinements to trading arrangements. 48% of respondents say improved trade deals are the factor with the biggest potential to improve UK competitiveness.

This is the case even among those who aren't yet international but are considering it, though mentioned less often (42%) – suggesting this group are less aware of the benefits trade deals can bring.

Unsurprisingly, the current labour environment and the state of UK infrastructure are also seen as key areas for improvement if the UK is to compete more effectively. One in three businesses cites employee skills and availability as factors. The results suggest this issue could be holding back international businesses from further expansion. Meanwhile, just under one in three say better transport infrastructure would unlock UK competitiveness.

See what factors would make the UK more competitive for international trade on next page

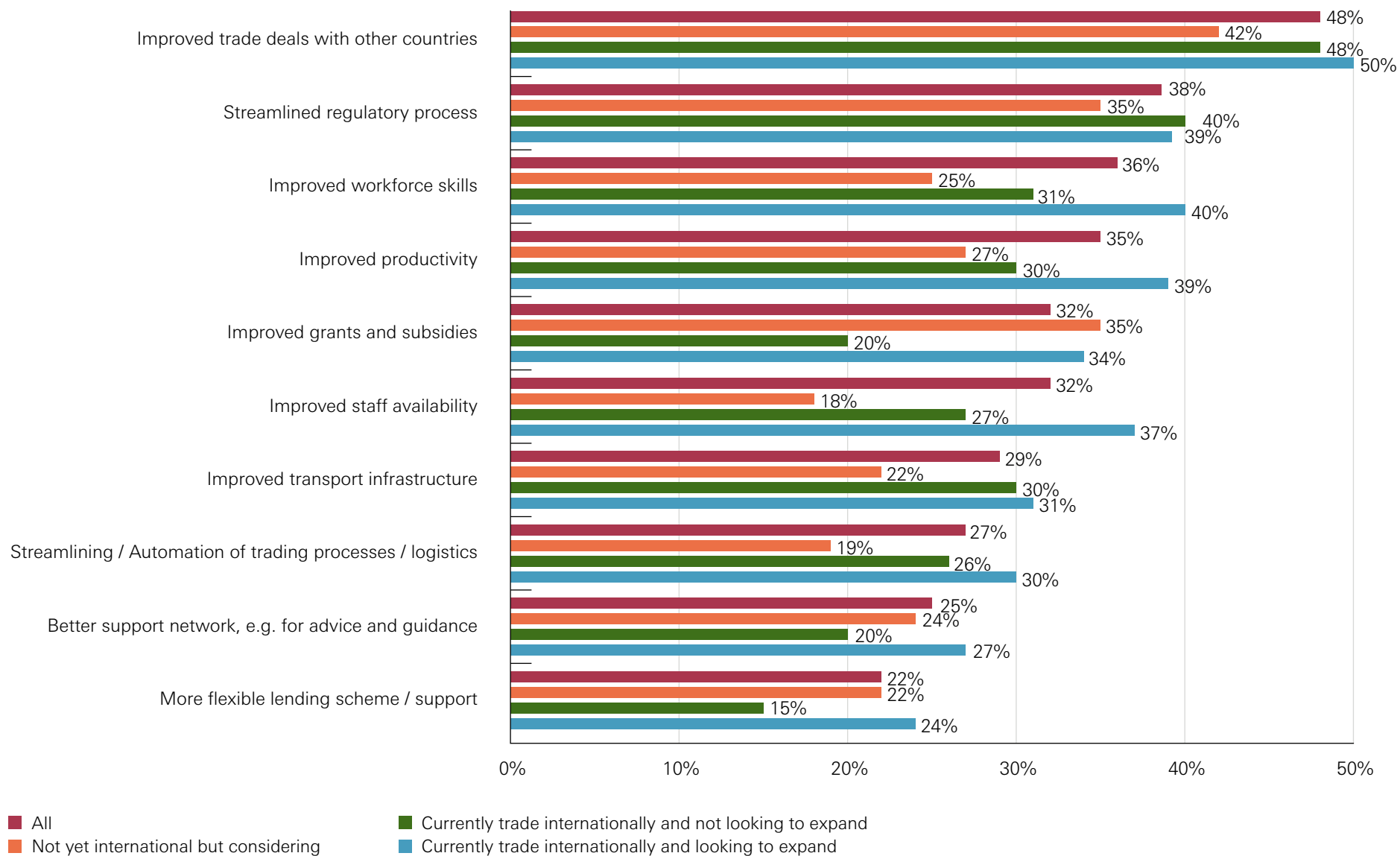


“ These numbers suggest there is more work to be done to help businesses derive full advantage from FTAs. With agreements in place since the spring with Australia and New Zealand, there are significant opportunities to explore in a variety of sectors.”

Stephanie Betant

Head of Global Trade and Receivables Finance,
HSBC UK

What factors would make the UK more competitive for international trade?



The next wave

A cohort of up to a million new entrants is poised to go international, given the right support and encouragement.

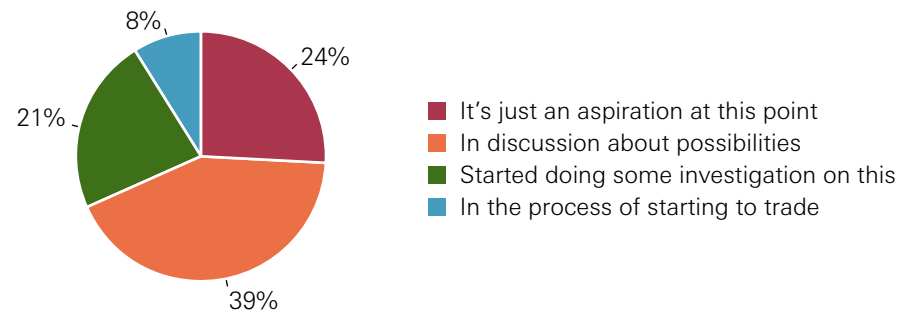
Latent potential

The survey reveals the potential for a huge swell of new international activity among UK businesses. One in ten respondents is not currently trading internationally, but has ambitions to do so. Applied to the UK as a whole, this equates to 450,000 businesses nurturing notions of global growth.

The companies in this group in our survey are at various stages of their international journeys. While a quarter have yet to progress beyond aspiration, others are actively investigating or discussing their first moves, while 9% are already in the process of starting trade.

As in the wider group, these businesses are less likely than previously to seek support from industry events or their banking partners, while only one in five has sought government-backed advice. It seems clear that businesses need to be convinced of the value of accessing knowledge and expertise from potentially invaluable sources such as the Department for Business & Trade or UK Export Finance.

Stages of transition for new international businesses



Overcoming barriers

Those businesses with no current plans to trade overseas perceive a range of barriers. While some issues are hard to change, others could be addressed to unlock potential. For example, a quarter fear complexity, and around half that number are put off by perceived risk. Work to overcome these perceptions and to help business leaders understand the potential benefits could inject a positive influence.

When asked what could make them consider international trading, the instinctive reaction of many domestic-only businesses is that nothing could change their minds. However, others are more receptive. Financial incentives and tax relief could persuade significant numbers to take a step across UK borders, equating to some 550,000 businesses. When added to the 10% with existing ambitions to trade overseas, this equates to a total potential of over 1 million new international traders.

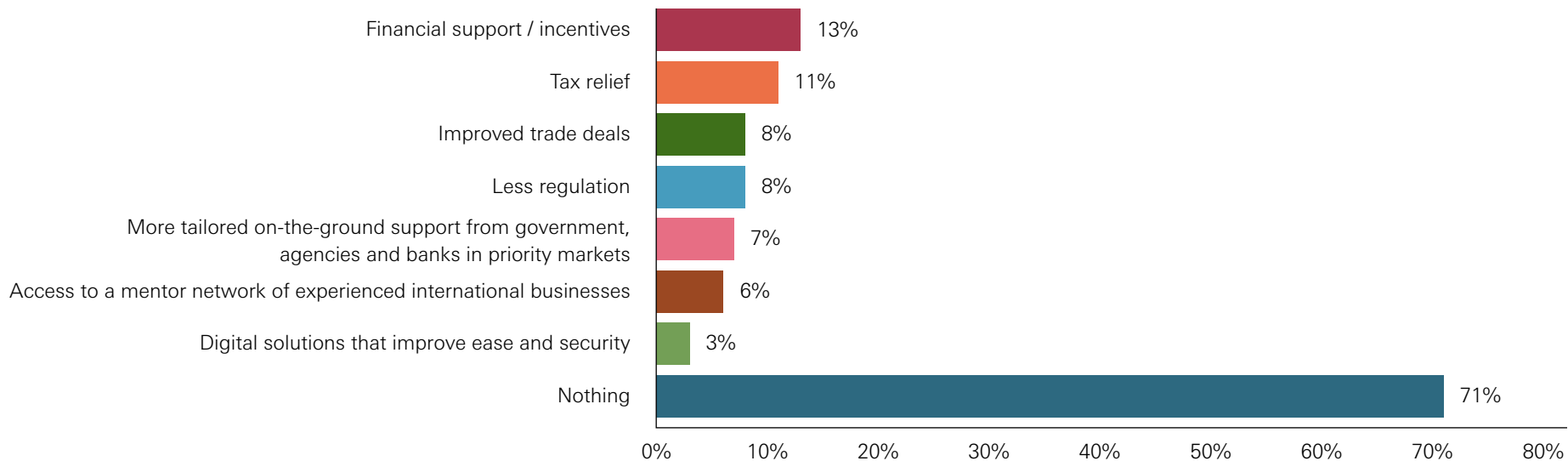


The increase in willingness to look beyond domestic trade is a heartening sign. It's in the interests of the UK as a whole that this promise is fulfilled. At HSBC UK we deploy our global presence, expertise and product solutions in the service of businesses' international ambitions, from securing that first foothold overseas to expanding through multiple subsidiaries and territories."

Cora McLaren

Managing Director, International Subsidiary Banking
HSBC UK

What factors would make businesses consider international trading?



Your global growth partner

Take advantage of HSBC UK's specialist support and tailored financial solutions to make confident strides into new territories.

This research reveals an appetite for expansion among many of the UK businesses that already operate internationally. It also uncovers a hidden swell of potential newcomers to global trade, albeit at various stages of commitment and apprehension.

At HSBC UK, we already support companies across more than 50 markets. In addition to practical guidance, we offer a range of products to support your business as it grows internationally. From SMEs to corporates, we support every type of business⁵, at every stage of their international journey. 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

Businesses value our "on-the-ground" knowledge and global payment capabilities. Take advantage of bespoke financial guidance from our local specialists and get connected to businesses in new markets. We can also introduce you to useful and supportive external partners, such as the Department of Business & Trade and UK Export Finance.

Get the bigger picture and stay on top of trends through our Global Research team. They produce topical, timely and relevant insight on everything from currency movements to commodities, bond yields, global stock markets, macroeconomics and technology trends, helping you make informed decisions.

⁵ Subject to local market criteria



Smooth, secure everyday banking

From SMEs to corporates, we support every type of business⁶, at every stage of their international journey. And as your business expands to corporate size, 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.

Expansion can bring complexity, but we make it easy to open multiple accounts in multiple markets seamlessly, through the HSBC SmartServe portal.⁷ This digitised solution provides a quick, secure and seamless onboarding process.

Swift, efficient transactions

Developing internationally opens up exciting new markets; it also 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.

Make use of our broad portfolio of trade and receivables finance products to release funds from sales, inventory and supply chain. For instance, it's now faster and simpler to unlock working capital by using HSBC TradePay⁸ – a digital trade finance solution that allows you to pay suppliers instantly, on a just-in-time basis. 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 programmes deliver working capital to your suppliers.

Our global footprint enables us to facilitate \$800bn of trade annually. We are one of the world's strongest banking partners, recognised for the past

seven consecutive years as the best trade bank in the world⁹. We are also consistently ranked top for global cash management, according to the most comprehensive and authoritative survey on providers.¹⁰

Helping you manage risk

Improve visibility and cost control as you trade internationally. Our solutions, including 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.

Currency and foreign exchange solutions

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 and hedging against currency fluctuations. Through our digital platforms, you can service your foreign exchange requirements with ease online.

View and approve the FX rate upfront 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 upfront, using our Get Rate function.

⁶ Subject to local market criteria

⁷ Eligibility criteria, T&Cs apply. Solution available in over 20 markets.

⁸ HSBC TradePay is available in selected sites and subject to prior credit adjudication and approval. Eligibility criteria apply.

⁹ <https://www.euromoney.com/article/2bpjdx891e2j11bp64lj4/awards/awards-for-excellence/the-worlds-best-bank-for-trade-finance-2023-hsbc>

¹⁰ <https://www.euromoney.com/surveys/cash-management-survey-financial-institutions>

Alternatively, through our award-winning¹¹ 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. This takes advantage of local payment systems to reduce payment costs and means 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 later, offering more control over working capital.

If you regularly make 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 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. HSBC Trade Solutions 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.



¹¹ Payments Awards B2B Payments Innovation of the Year 2021

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)

