

FRESH DAWN

Brexit has thrown conventional exporting and international trade norms up in the air. But amid the challenges and frustrations are opportunities, and the potential to target entirely new markets. **Alex Wright** reports on how small firms are responding

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rexit has undoubtedly made it harder for UK small businesses to trade with the EU. Under the new trading relationship, many firms have reported increased costs, rules, paperwork, delays and disruption. Compounding this are the ongoing difficulties many continue to encounter with the movement of goods across the Northern Ireland border.

This is evidenced by the fact that one in eight small exporters have temporarily or permanently stopped selling to the EU and a further nine per cent are thinking about it, according to the FSB's Small Business Index. A study by the Department for International Trade suggests that 33 per cent of firms considering exporting to one of the four key markets face customs procedures barriers, while another 18 per cent are encumbered by technical requirements imposed on end products.

Small businesses have also been disproportionately disadvantaged by the disruption that the Covid-19 pandemic caused to the global supply chain. In addition, because of their size, they don't necessarily have the resources needed to meet the rising upfront costs of exporting.

The war in Ukraine, inflation and the energy crisis have all added to the burden. Cumulatively, they have resulted in a loss of customers and a shortage of key commodities such as wheat, driven up costs and made it harder to find suppliers and secure trade routes.

Despite these initial shocks, trade is starting to improve, with UK exports to the EU up 2.6 per cent at £16.9 billion in May 2022 from April 2022, according to the Office for National Statistics – their highest level since current records began in 1997, although part of this is down to the impact of higher prices. The bigger picture looks more promising, too, with total global exports rising 7.4 per cent over the same period.

So what are the main challenges for small and medium size enterprises (SMEs) looking to trade overseas? What fresh

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in May 2022 – a record figure

opportunities should they be seeking to capitalise on? And how can they find new suppliers and customers, and secure trade routes? “The original challenges of Brexit are still with us,” says Arne Mielken, founder of Customs Manager. “These include red tape, bureaucracy, additional costs and delays.”

Customs minefield

Then there are the familiar minefields of customs and tariffs to be navigated. Firms need to use the right commodity code on customs declarations to ensure they are paying the right tariff and, if necessary, register for VAT in overseas countries.

“There are still so many hoops for small businesses to jump through,” says Paul Samrah, partner at Moore Kingston Smith. “The consequences of getting them wrong can be disastrous, too, with incorrect paperwork or the wrong code resulting in even greater delays.”

One of the most significant customs changes arising from Brexit came into force on 1 January 2022, when firms importing goods into the UK were no longer able to delay making import customs declarations under the Staged Customs Controls rules that have applied during 2021. Importers that bring in certain products such as live animals and animal by-products now also have to use the import of products, animals, food and feed system to notify the authorities before they arrive.

Meanwhile, UK exporters have been subject to full EU customs controls since 1 January 2021, when the Trade and Cooperation Agreement became effective. There’s more to come. A new Customs Declaration Service will be brought in for import declarations on 1 October 2022 and for exports on 1 April 2023.

FSB has welcomed the Government’s decision to delay full EU import checks from this summer, which would have put an added strain on small firms struggling with the new trade rules and spiralling operating costs. Instead, it gives them more time to prepare for future changes and reassess their supply chains.

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Branching into new markets

When Brexit came in, Julianne Ponan, owner of allergen-free food producer Creative Nature, decided to stop selling to the EU because of the amount of paperwork involved. Instead, she decided to move into markets further afield, such as Australia and the Middle East.

As a result, the company has increased its product sales in the UAE, Qatar and Kuwait. It has also made its first larger shipment into Australia and the US.

However, trading in this new post-Brexit world has not been without its challenges. Ms Ponan says that the amount of smaller online orders being returned or

lost has risen, as have the shipping costs.

The prices of dried fruit – an essential ingredient in Creative Nature’s recipes – have also gone up, with some suppliers changing their prices every few hours. In addition, sunflower oil

– another staple – has become more difficult to source.

“The other issue is lead times, as small suppliers are getting pushed to the back of the queue and large suppliers, who can pay upfront, are getting the available stock,” she

adds. “Packaging costs keep rising, too. We had five increases in the space of a year, yet we are still needing to absorb these without passing them on.”



Getting into international trade

1 Do as much research upfront as possible about international trade and the markets you want to go into. FSB's Trade Advisory Hub is a good place to start – visit fsb.org.uk/knowledge/fsb-infohub/fsb-trade-advisory-hub.html

2 Seek the Government's help. The Department for International Trade's Export Academy can provide advice on international trade, while UK Export Finance, the Government's credit

agency, gives help on funding, payment and performance bonds. Scottish firms can access advice from Scottish Development International (sdi.co.uk)

3 Engage an international trade adviser who knows the different markets and customs rules and regulations to design an international trade strategy. Trade associations such as the Society of Independent International Trade and

Customs Experts are an invaluable resource

4 Access funding platforms such as the FSB's scheme, which provides export finance through the UK's largest panel of business lenders. Visit fsbfundingplatform.co.uk for more information

5 Keep on top of all the latest changes in rules and regulations for international trade and what they mean for your business. Or appoint an expert to do it for you

New opportunities

Despite all these challenges, opportunities abound for small businesses to move into new markets. The Government has already signed several trade deals with new markets including Australia and New Zealand, and is pursuing free trade agreements (FTAs) with Canada and India, as well as a new deal with Mexico.

"We want the Government to work with small business organisations such as FSB to help firms understand and realise the new opportunities provided by these FTAs," says Lucy Monks, FSB's Head of International Affairs. "This will open them up to markets that they hadn't previously considered or didn't have access to."

Additionally, FSB has called on the Government to use the new Trade Act 2021 to gain a better understanding of small businesses' requirements, enabling it to target relevant support initiatives. It also wants a central hub for expertise,

best practice and resources, and flexible funding for firms, including the formation of an SME Trade Support Fund.

Scotland, for one, has benefited from an increased demand for its goods and services. For example, the desire for low-carbon and high-tech products is enabling Scottish manufacturers to drive growth and innovation. "While it has undoubtedly been a difficult past couple of years for Scottish exporters due to Covid-19, new trading rules following the UK's departure from the EU and global uncertainty caused by the conflict in Ukraine, ample opportunities continue to exist for companies in Scotland to trade overseas," says Jan Robertson, interim Director of Global Trade at Scottish Development International.

Targeted approach

Worcestershire-based outdoor leisure retailer OLPRO, which won FSB's International Business of the Year and a Queen's Award for Enterprise in International Trade, has leveraged social media to enter new markets and increase the number of countries it exports to from 16 to 29 during the past two years.

By tailoring its marketing content to different countries and partnering with internationally known brands, it has boosted its profile and reach.

In 2021, OLPRO also teamed up with international brand ambassador Camp4Happiness in Germany to promote the brand, growing web traffic by 897 per cent year-on-year in Spain, 106 per cent in France and 79 per cent in Germany. Now it has plans to expand across Europe, South Africa and the US, and to extend its affiliate marketing programme.

"The secret to our success has been in understanding which countries are the best fit for our brand," says Daniel Walton, founder of OLPRO. "So, based on our knowledge of cultural behaviour overseas and our website traffic, we focused in on France, Spain, Germany and Holland, and by being visible in these international marketplaces it enabled us to raise brand awareness and increase sales." It's a template others may want to follow, whether in the EU or further afield.

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