



European SME Exporting Insights

Doing business throughout Europe and beyond



**A UPS Consultation Paper on
SME Exporting Activity**

September 2014

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Key to content:

 Findings
  Insight
  Business Challenge
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Introduction

Small and medium-sized enterprises (SMEs) are the engine of the European economy. More than 99% of all businesses in the European Union (EU) are SMEs, and two thirds of all private sector jobs are created by SMEs. SMEs generated €3.39-trillion¹ in 2012, almost 30% of the EU's GDP.

UPS's European SME Exporting Insights study was inspired by a desire to help SMEs prosper as Europe recovers from the global financial crisis. With access to communications and logistics technology and services that simply weren't available to SMEs two decades ago, the time has arrived for them to take full advantage of the opportunity to compete internationally.

Thousands of 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 find out what's holding SMEs back so that these barriers can be overcome.

SMEs have an advantage over their larger competitors as their innate agility allows them to respond faster to changing market demand, seizing opportunities where they arise. UPS aims to help SMEs take advantage of the many opportunities opening up to them with the view that SME business growth is crucial to Europe's economic growth.

¹A recovery on the horizon? Annual report on European SMEs 2012/2013.
http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2013/annual-report-smes-2013_en.pdf

Research Scope

8,144 SME Owners and Directors

7 Countries

5 Sectors

3 Business sizes

Methodology

Quantitative Research

The research surveyed 8,144 SME owners or directors, including managing, commercial, business or sales development directors. The surveys took place from 1st to 10th November 2013 and 7th to 9th May 2014.

Surveys were conducted in: Belgium (613), France (1,265), Germany (2,281), Italy (613), the Netherlands (604), Poland (400) and the UK (2,368). The sample for this study was drawn by Dun and Bradstreet. Businesses from the automotive (666), healthcare (1,690), high-tech (1,009), industrial manufacturing (1,949) and retail (2,830) sectors participated. The surveys were conducted by Jigsaw, a firm with extensive experience with SME market research across Europe on subjects ranging from financial services, IT, consultancy and postal services.

For the purpose of this study, sub-sectors such as textile, milk and chemical producers, as well as cafés, bars and restaurants were excluded alongside main sectors such as agriculture, mining, and construction.

All the businesses had between 1 and 250 employees and were shipping packages either domestically or abroad. The study selected 200 companies per market in Belgium, France, Germany, Italy, the Netherlands, Poland and the UK for an in-depth survey.

Quotas were set on company size and industry sector and the survey data was then weighted to be representative of the population on those variables.

Qualitative Research

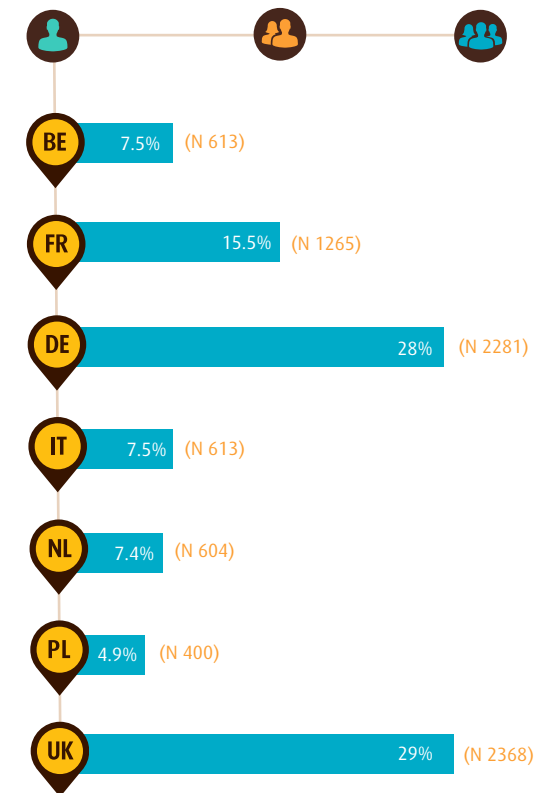
The qualitative research took the form of eight workshops, four in Germany and four in the UK.

The German workshops were held in Berlin, Frankfurt and Hamburg. A Berlin workshop was for micro businesses, two Frankfurt workshops were for small businesses and medium-sized businesses. A Hamburg workshop was for medium-sized businesses.

The UK workshops were held in London and Manchester. One Manchester workshop was for micro-sized businesses and the other for small-sized businesses. One London workshop was for small-sized businesses and the other for medium-sized businesses. The workshops were conducted by Jigsaw.

Two participants - a mentor and a mentee - were identified from selected industry sectors. All participants were either already exporting or planning to export to either the EU, the US or Asia. The research aimed to gain insight into how SMEs became exporters and to identify any barriers that might prevent similar businesses from replicating their success.

Interviews were conducted in: Percentage of total sample (8,144)



Business Size Definitions

Survey data has been grouped according to the EU SME definitions of micro, small and medium-sized enterprises, which combine staff headcount and turnover or annual balance-sheet total.



A micro enterprise is defined as an enterprise that employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed €2 million.



A small enterprise is defined as an enterprise that employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed €10 million.



A medium-sized enterprise is defined as an enterprise that employs fewer than 250 persons and whose annual turnover does not exceed €50 million or whose annual balance-sheet total does not exceed €43 million.

Sector Definitions

Five sectors were selected for the survey. A bespoke industry classification system was designed, which was based on international Standard Industrial Classification (SIC) codes.



The automotive sector comprises new and used motor vehicle and boat dealers as well as motor vehicle, motorbike, bicycle, parts, tyres and engine manufacturers, wholesalers and retailers.



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



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 industrial sector includes manufacturers of goods with industrial applications, such as cranes and metal extruders, and domestic applications, such as kitchens, sanitary ware, and gardening equipment.



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

Data Interpretation

Graphics shown in this consultation paper are for illustrative purposes only and, as such, are abstracts of key findings from the full survey results. Figures may total less than 100% where only partial data is shown or more than 100% where more than one response was allowed. Data for each industry sector has been drawn equally from across the seven European countries.

Executive Summary

Based on a survey of 8,144 SME owners and directors in seven countries, European SMEs have embraced export opportunities both to other European Union (EU) countries and beyond.

Businesses of all sizes - micro, small and medium-sized - have discovered that exports can buffer businesses in tough economic environments, maintaining and even growing turnover while many other businesses around them contract. The vast majority of shipments sent by surveyed SMEs are destined for domestic customers and other countries within the EU, and the findings suggest that these businesses need help to explore markets further afield. Concerns over goods being lost or damaged and a lack of information about how to manage export regulations and procedures are curbing the appetite for this export expansion.

When SMEs venture beyond Europe, they're most likely to choose the US as an export country destination. Other top destinations for European SME exports are China and Canada. Opportunities exist for all sectors, from high-tech to healthcare.

There is huge potential for European SMEs to export outside the European Union to expand their customer base abroad, increase their revenues, and create sustained growth.

Choosing the right type of transportation and exploring innovative logistics solutions can help SMEs overcome barriers to exporting, such as shipping costs. Access to expert customs brokerage services addresses SME worries regarding administrative procedures and complexities.

SMEs of all sizes and across all sectors are increasingly selling online. Anti-virus and authentication services help safeguard transactions, addressing SME fears about internet security and fraud.

"In a competitive global business climate, SMEs have to take advantage of global opportunities."

Cindy Miller, President, UPS Europe



Findings

Export Opportunities

Entrepreneurial businesses all over Europe are exporting in order to win new customers, increase revenue, and build brands. Online sales and access to innovative logistics solutions have opened new markets for micro, small and medium-sized businesses.

Five major trends have emerged in European SMEs' appetite for exporting:

1. The End of Distance

While export sales within Europe are the first natural step for SMEs exporting, businesses exploiting opportunities further afield have become more resourceful, outward looking, confident and ambitious as they generate new ideas, adopt new technologies, and seize new market opportunities. The US, China and Canada have emerged as top export country destinations for SMEs.

2. Sector Detector

Businesses from all sectors - from healthcare to retail - have seized opportunities for market development beyond Europe's borders. The industrial sector has the highest incidence of exporters, but high-tech and automotive businesses are closing in.

3. Thinking Big

Micro, small and medium-sized businesses are embracing opportunities to ship abroad. As businesses grow, they're more likely to start exporting. By the time they reach 50 employees, there's a good chance that they're sending orders overseas.

4. The Wide World

SMEs have discovered that online sales present opportunities for exporting and are finding innovative logistical solutions to reach global customers. Many SMEs view Europe as the new domestic market and are now looking for markets further afield.

5. Clicks and Mortar

With estimates that a third of the world's population is now online, there are boundless opportunities for online export sales across all business sectors. Automotive, high-tech and retail businesses are leading the way.

Access to communications and logistics technology and services allows smaller businesses to think big and compete big without having to create a global infrastructure to actually be big. For them, market development strategy has almost assimilated export strategy.

European Opportunities

Exports by SMEs have been mainly intra-European, but enterprising companies are exploiting opportunities in markets further afield.



Exporting SMEs make up 13% of all SMEs in Europe. Germany and Italy have the largest number of exporting SMEs and Belgium the least. However, Belgium has the highest proportion of SMEs that export, beating the European average by over 3%.

The strong performance by Belgian SMEs is partly attributable to exports from its industrial sector, which is also a high-performing sector in Germany and Italy. Poland had the smallest proportion of exporting SMEs yet showed an exceptionally strong performance in the automotive sector.



Entrepreneurial businesses wishing to sell internationally need knowledge and operational capabilities to help them succeed. Exporting places stress on all parts of the business and a successful export strategy needs skills and resources in finance, operations, human resources and marketing.

SMEs have the agility to respond to the market faster than many larger organisations, where decisions often have to work their way through multiple layers of management. This advantage allows swift responses when market opportunities arise.

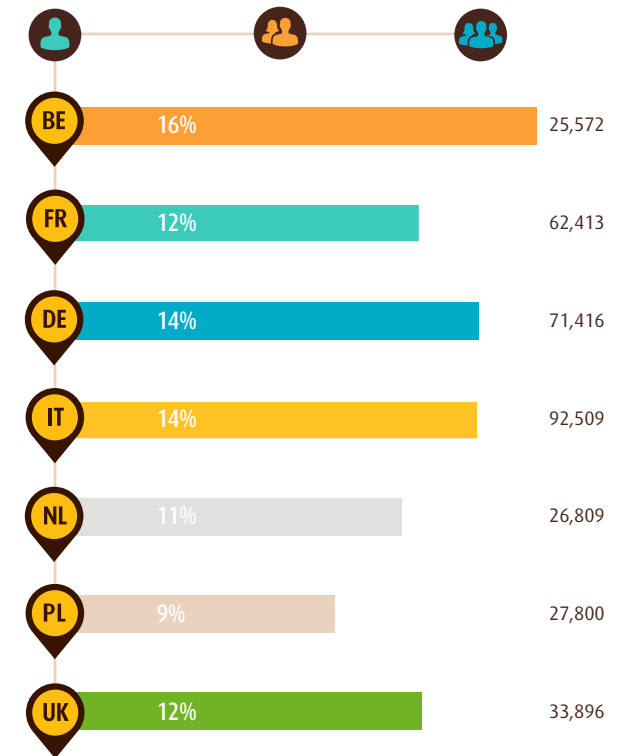


Ninety seven percent of surveyed SMEs feel the quality of their products and services is the main determinant of export success. Other important factors that impact success are the strength of customer relationships (94%), logistics (92%), and pricing (91%).

UK SMEs also listed innovation (86%), the ability to respond to changing markets (84%), and product design (81%) as predictors for export success. More than half of the surveyed SMEs in the UK and Germany believe that in order to succeed, it's important to have a lower cost base than competitors.

SME Exporting Landscape

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





An inverse relationship exists between the number of businesses and the incidence of exporting among micro, small and medium-sized businesses.



The highest number of SMEs are micro-sized, but they are least likely to export: only 10% export on average. Because of their large numbers, however, the total value of exports for micro businesses is highest. In Belgium 15% of micro companies are exporting, the highest proportion in Europe. Poland, on the other hand, has the lowest proportion at 5%.



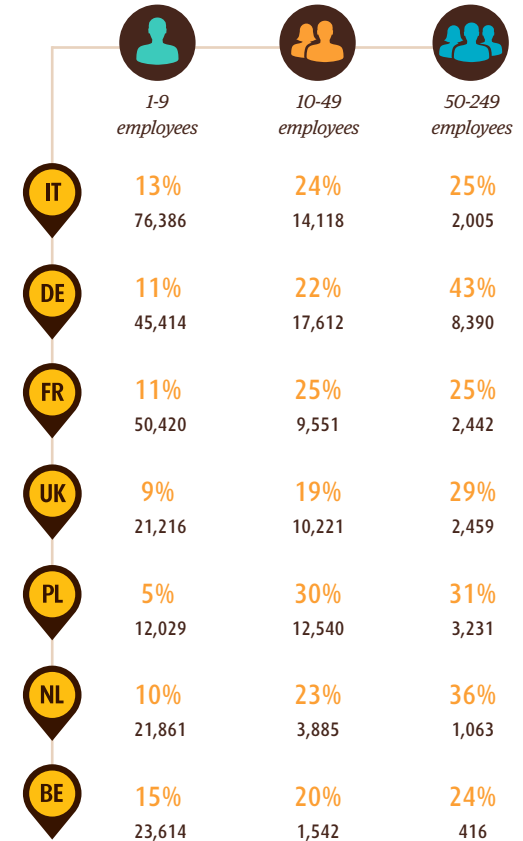
Small businesses are almost twice as likely to be exporting than micro businesses though they are less likely to export than medium-sized businesses. Between 19% and 30% of all small businesses surveyed are exporting, with the UK having the lowest and Poland the highest percentage.



Medium-sized SMEs are three times more likely to export than micro businesses. In Germany 43% of medium-sized businesses are exporting, compared to 36% in the Netherlands and 29% in the United Kingdom.

SME Exporting Landscape

The percentage of SMEs that export by company size.



Motivations to start exporting emanate primarily from three perceived benefits: market development, financial return and brand building. Market development can be reactive to meet demand or proactive in exploring opportunities in larger markets, and access to reliable logistics services can encourage this exploration.

The desire to leverage success in a domestic market can be a positive motivator. Pessimism about economic or business prospects in a home market sometimes triggers exporting as a defensive strategy. Occasionally, however, SMEs passively start exporting when it ‘just happens’ through online sales or website enquiries.

Opportunities Beyond Europe

EU countries are the first choice as exporting destinations among Europe-based SMEs. Between 87% and 100% of exporting SMEs ship to countries within the EU. Other European countries that are not part of the EU, including Switzerland, Turkey, Russia and Belarus, are also popular export destinations.

SMEs in Germany send the highest number of shipments overall, although SMEs in Belgium, the UK, and the Netherlands send the highest number of shipments outside the EU. Among SMEs who export outside the EU, the top export regions, which contain emerging markets like Brazil and India, are North America (52%), Asia (31%), Africa (21%), the Middle East (21%), South America (20%), Australasia (19%) and Central America/Caribbean (14%).

While the world was recovering from the 2007/8 financial crisis, SMEs that exported to countries outside the EU overwhelmingly maintained or increased turnover in the years 2010 to 2012. Exporting beyond the EU helped keep turnover buoyant for SMEs in France (98%), Germany (95%), the UK (94%), Belgium (84%), Poland (81%), the Netherlands (81%), and Italy (51%).

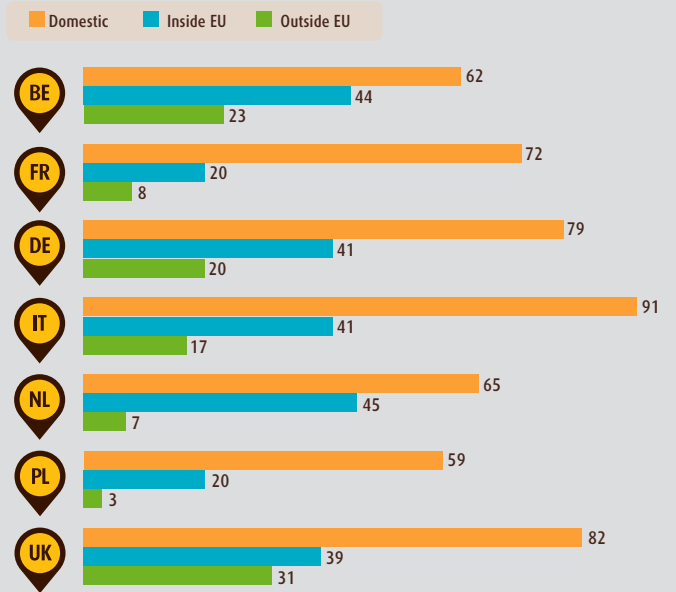
Combined, an average 80% of SMEs from the seven countries that exported beyond the EU remarkably increased or maintained turnover during the years following the global financial crisis.

Exporting can provide a buffer against tough trading conditions, providing additional opportunities for sales in markets beyond domestic borders. Maintaining capacity is more easily achieved if more attractive market opportunities can quickly be exploited further afield when domestic or regional uncertainty occurs.

The investment in building export capability to different markets is key to being able to rapidly re-focus sales efforts. Being able to maintain operational capacity protects profit margins, jobs and dividends. Exporting will help make sure everything looks good on the bottom line.

Regional Export Patterns

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



	Domestic	Inside EU	Outside EU	TOTAL
BE	172	96	75	343
FR	108	14	4	126
DE	530	81	14	625
IT	270	16	4	290
NL	208	70	21	299
PL	224	18	1	243
UK	365	90	43	498

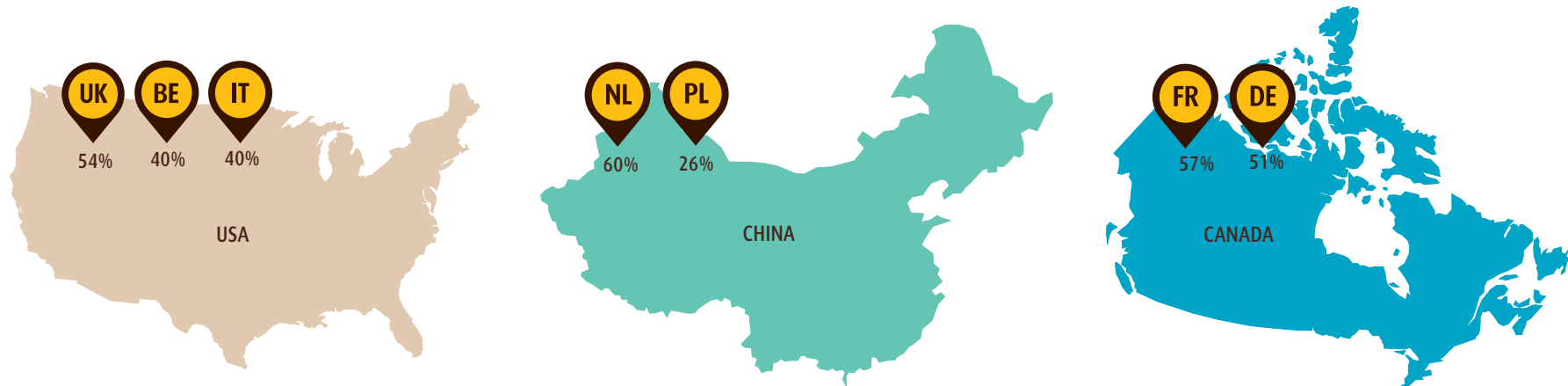
The average number of shipments dispatched in the past 12 months by SMEs in the five selected sectors



The United States is the most likely export country destination for SMEs shipping outside Europe. Among those exporting outside Europe, 53% are exporting to the US, 49% to countries in Europe outside the EU and 47% to Asia. The United States is the top-ranking export country for SMEs in the UK (54%), Belgium (40%), and Italy (40%). China is the top export destination country for SMEs in the Netherlands (60%) and Poland (26%). Canada is the top destination for SMEs in France (57%) and Germany (51%).

Top Export Destinations

The percentage of SMEs shipping to the top three export countries outside Europe.



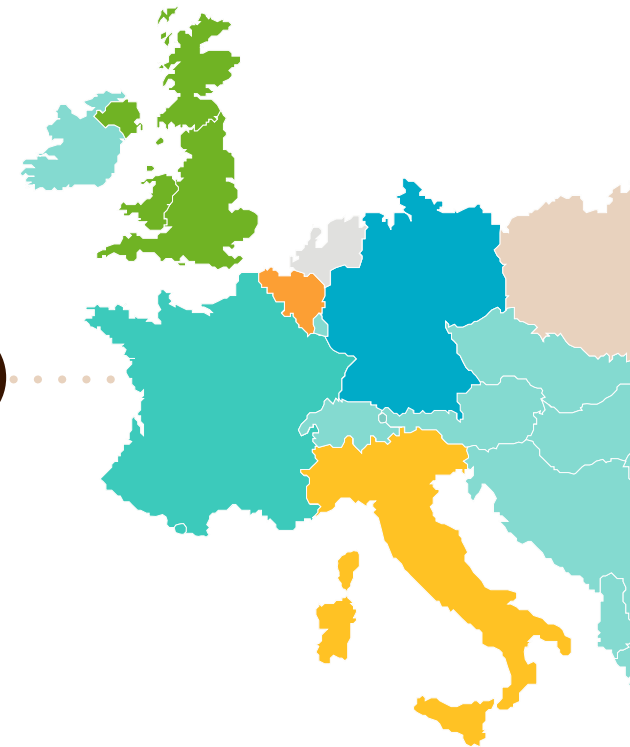
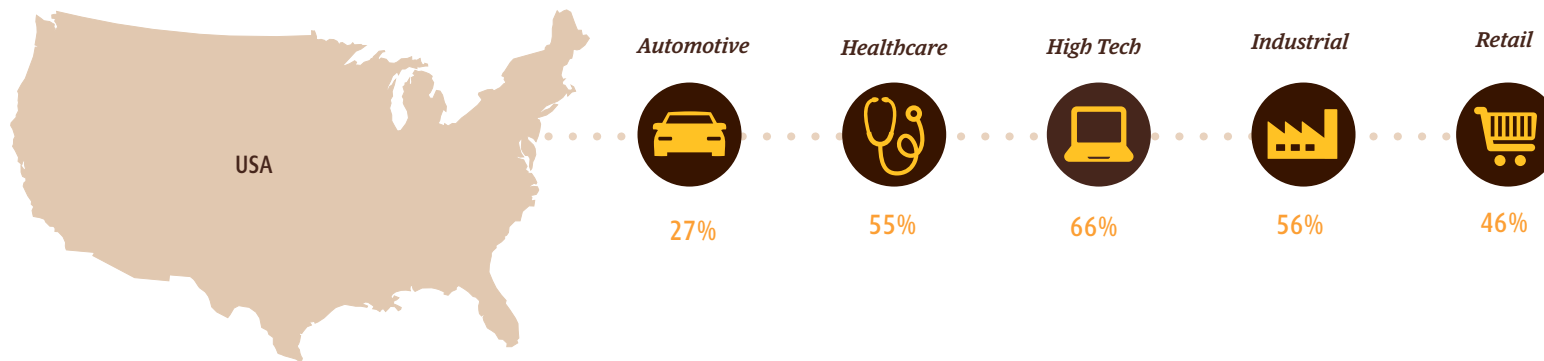
There are opportunities for all sectors in shipping beyond Europe's borders, and the US is the top destination country across the board.

SMEs for all seven countries surveyed export outside the EU. Among SMEs who export, those in the industrial sector are most likely to be exporting beyond the EU: industrial (67%), retail (59%), high tech (59%), healthcare (58%) and automotive (40%).

The United States is the top export destination country outside Europe across all sectors: high-tech (66%), industrial (56%), healthcare (55%), retail (46%), and automotive (27%). Sector exports to European countries outside the EU are also substantial: retail (55%), high-tech (53%) healthcare (48%), industrial (47%), and automotive (33%).

Sector Exports to the US

Sector exports to the US as a combined percentage of all exporting SMEs surveyed.



Business Size Trend

Exporting is not only the domain of large corporations. Micro, small and medium-sized businesses across Europe are embracing opportunities to ship abroad.

Medium-sized companies are most likely to send shipments abroad, and they also send the largest number of shipments abroad. Among SMEs shipments sent abroad, 60% are sent by medium-sized companies, 30% are sent by small-sized and 10% are sent by micro-sized businesses. Shipments sent abroad are most evenly distributed among micro-sized (35%), small-sized (35%) and medium-sized (30%) businesses in Germany.



The highest proportion of micro businesses shipping abroad are in Germany (35%) compared with less than 20% of shipments in other markets.



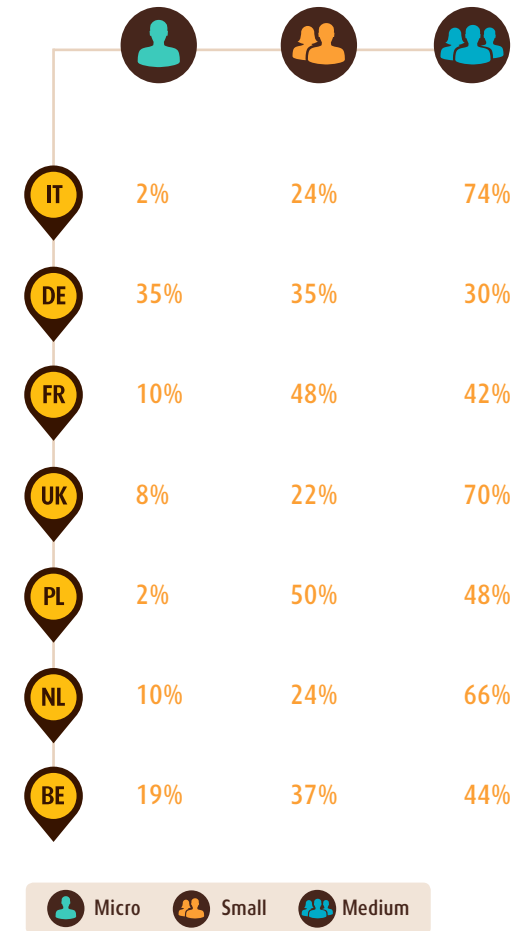
Small businesses ship 50% of all SME exports in Poland and 48% in France. Small business shipments are also high in Germany (35%) and Belgium (37%).



Medium-sized companies have the highest percentage of shipments across all seven countries surveyed except for Germany, where they are only responsible for 30% of shipments.

Export shipments by company size

The percentage of export shipments sent by micro, small and medium-sized businesses from the seven countries surveyed.



Shipments sent abroad are overwhelmingly packages weighing less than 32kgs in the Netherlands (87%), Germany (85%), Poland (84%), France (79%), the UK (75%), Belgium (71%), and Italy (69%). Packages weighing less than 32kgs are also most likely to comprise shipments abroad across all sectors: healthcare (91%), high-tech (85%), retail (81%), automotive (72%), and industrial (68%).

SME domestic shipments are mostly sent to other businesses across European countries: Belgium (84%), Italy (82%), Poland (73%), Germany (63%), the UK (62%), the Netherlands (60%), and France (60%). The same trend applies across sectors: industrial (84%), high-tech (81%), healthcare (76%), automotive (72%), and retail (71%).

E-commerce Opportunities

SMEs have discovered that online sales present opportunities for exporting and are finding innovative logistical solutions to ship long distances.

Online sales are primarily to domestic markets, but SMEs are selling both within the EU and outside the EU. The Netherlands has the highest percentage of businesses selling online domestically and within the EU, but the UK has the largest percentage of businesses selling online outside the EU.

Online sales in the Netherlands take place in the domestic (30%) and EU (24%) markets as well as outside the EU (5%). The lowest percentage of online sales takes place in Belgium, where only 7% of SMEs sell online in the domestic market, 3% in the EU and 1% outside the EU.

SMEs that sell online typically have their export orders collected from their business premises in Belgium (90%), Germany (62%), Italy (50%), and Poland (53%). Taking online orders to the post office to have them delivered to customers is also common in France and the Netherlands.

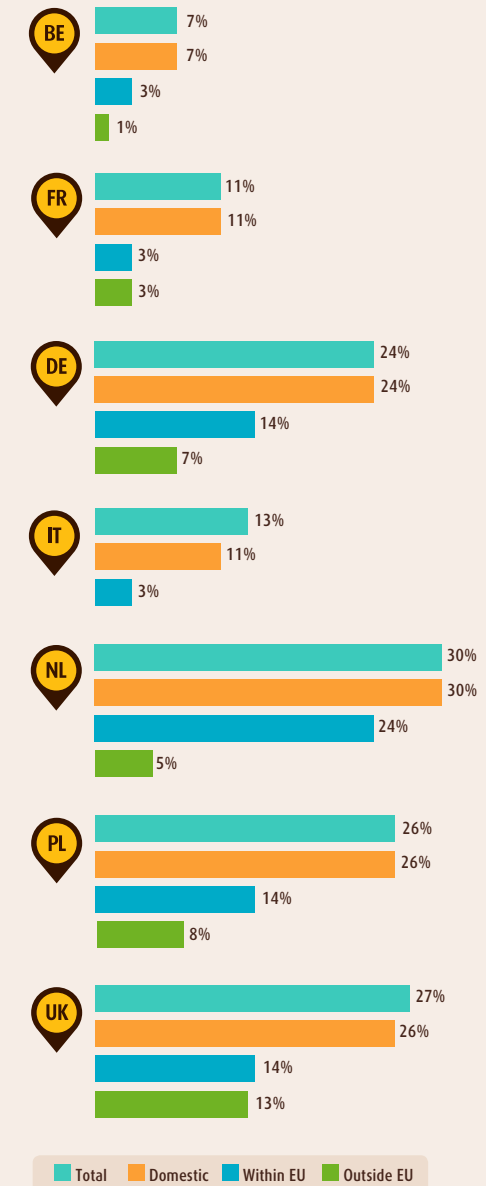
In the United Kingdom, there's no dominant method of dispatching orders, with 23% of SMEs having them collected at their premises, 23% dropping them at the post office, 25% taking them to another location, and 27% using some other kind of delivery option.

It's essential to control delivery costs when making online sales to export countries to stay competitive with local products. Experts look to supply chain solutions that leverage economies of scale while speeding up order-to-delivery time ratios. These solutions could include using collection point technology to help speed deliveries to residential customers.

Freighting large volumes of products to an off-shore warehouse can reduce per-item shipping costs. Individual items then get despatched from the warehouse when orders are placed, which reduces the time before delivery takes place. The consumer will pay less, which could encourage higher order volumes.

Exports from Online Sales

The percentage of SMEs selling online in the domestic market, within the EU and outside the EU



Sector Trend

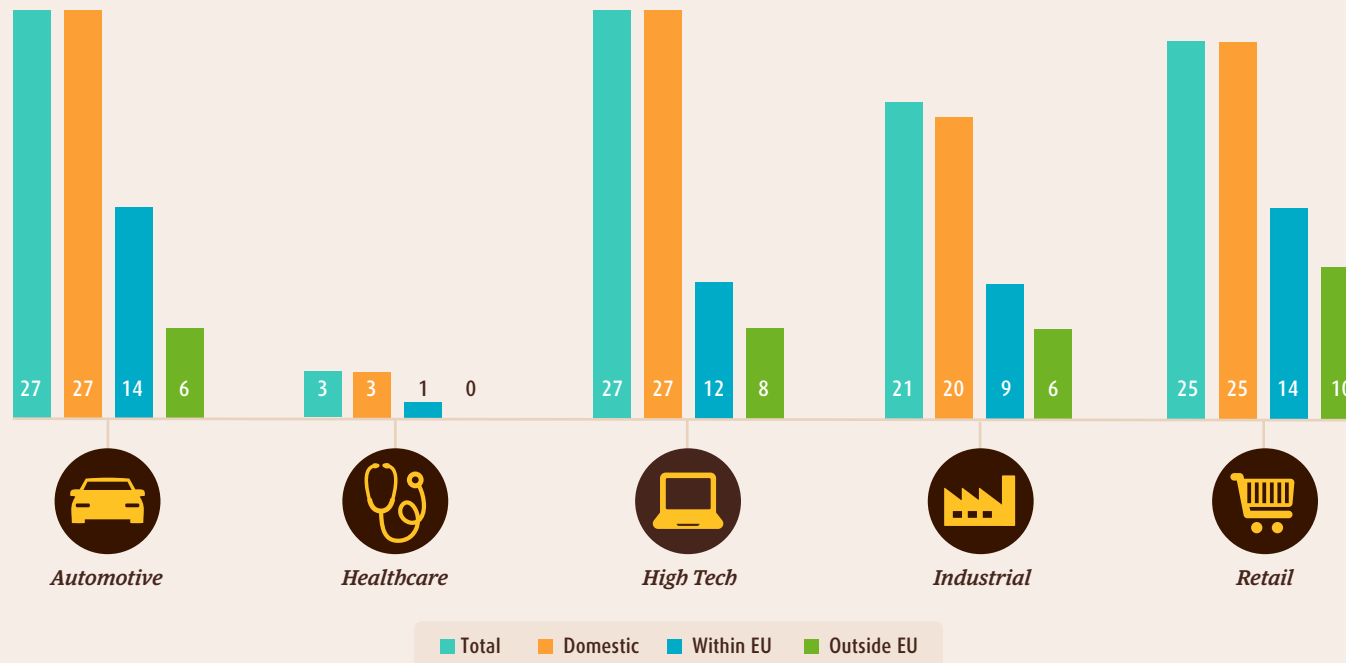
With estimates that a third of the world's population is now online, there are significant opportunities for online export sales across all business sectors.



SMEs from all five surveyed business sectors sell products online. About a quarter of all automotive, high-tech and retail businesses surveyed sell online in their domestic market. They are also the most likely to be selling online to customers in other countries within the EU and outside of the EU. SMEs in healthcare are least likely to sell online.

Sector Online Sales

The percentage of SMEs from each sector that sell online in their domestic market, within the EU, and outside the EU.



Case Study

Export Surprise for Online Retailer

Exporting arose in response to an unexpected opportunity for Material Life, an online furniture retailer. A surprise order from Australia for a container load of furniture meant owners Stephen Baldwin and Brian Reinker had to quickly acquire exporting know-how to dispatch the shipment expertly.

It was important to find out what the harmonised tariff codes were for each item of furniture shipped so that the duties charged when the goods entered Australia could be established. Those costs are paid by the consumer, but it's important to know what they are if the buyer wants a quotation as a fully landed cost.

"We were completely surprised when the order came for sofas and tables as we assumed Australians would be able to get similar products there," says Stephen. "But the strong Australian dollar meant they could buy the furniture for less from us even when transportation costs were added."

Though most of Material Life's sales are in the domestic market, they have sent packages containing small items like clocks or vases to Malaysia, Hong Kong and South Africa. Larger items of furniture are transported by ocean freight in containers.

Stephen's advice for new exporters: "It's important to choose a reliable logistics company and particularly one that has good tracking technology so that you know how deliveries are progressing. That's crucial in order to keep yourself sane and to make your customers happy!"

Strategic Lessons

Market entry strategy: Reactive

Supply chain strategy: Direct exports to consumer

Logistics strategy: Orders determine package or freight shipments

"It's important to choose a reliable logistics company and particularly one that has good tracking technology so that you know how deliveries are progressing."

Stephen Baldwin, owner, Material Life

Identifying EU Barriers

SMEs across Europe and in all sectors are embracing the opportunities exporting presents. The first foray into exporting for many businesses is typically shipments to other countries within the EU, where customs, distance and cultural barriers are less of an issue and most countries share a common currency. Expert exporters are finding ways of overcoming the barriers holding novices back.

The two major concerns holding European SMEs back from exporting within the EU:

1. Transportation Security

Expert exporters develop packaging that's fit for purpose. It offers adequate protection from damage and is designed to enhance the brand's reputation.

Volume exporters invest in research and development when designing packaging that will adequately protect their products.

2. Internet Security

Savvy online business owners use a combination of virus protection and authentication to safeguard their customers' confidential information. They also advise their customers to beware of possible threats like e-mail scams.



Geography and history influence national attitudes to exporting. Due to their island location, SMEs in the United Kingdom, for example, see exporting as a 'big step' compared to companies in Germany, where exporting is viewed as a natural extension of domestic business activities.

A shared currency and proximity to German-speaking markets in Austria and Switzerland have embedded exporting into German business DNA. The common market means goods can be easily moved to markets within the European Union. The reputation of German businesses for delivering superior product quality further aids market development.



Country Concerns



The research has highlighted the barriers to exporting within the EU. The risk of goods getting lost or damaged is what most SMEs worry about. About one in five exporters also worries about export regulations and/or onerous administration and costs.

Internet security (phishing) is one of the top worries for SMEs from all of the surveyed countries except for the UK and Italy. Micro businesses tend to have more concerns. Those that have never exported also tend to worry more.

Barriers to Exporting to the EU

The top three worries or concerns for exporting and non-exporting SMEs from the seven surveyed countries.

% giving score of 4 or 5



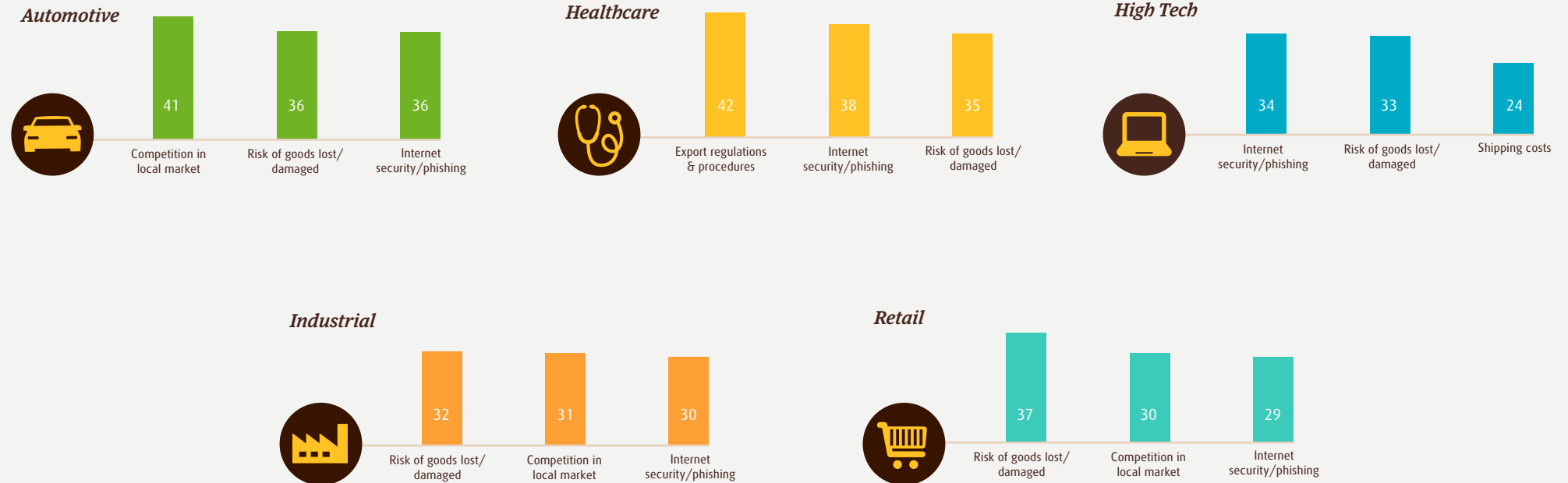
Sector Concerns

SMEs in the automotive, industrial and retail sectors are most likely to think competition from local companies in target countries is a barrier to exporting within the EU. Export regulations and procedures worry healthcare businesses, and internet security remains a concern across all sectors.

Sector Barriers to EU Exports

The top three worries or concerns for exporting and non-exporting SMEs from the five surveyed sectors.

% giving score of 4 or 5



Breaking EU Barriers

Transportation Security

Experienced exporters reduce the risk of goods being damaged by packaging products adequately to ensure they're transported safely.

Top tips for preparing your packaging:

- ✓ Know your product and choose packaging material that is fit for purpose.
- ✓ Determine how much space is necessary for the product and cushioning.
- ✓ Ensure that there is no contact between product and box, and no contact among products.
- ✓ The contents should be secure enough so that if you were to shake your package, they would stay in place.
- ✓ Apply self-adhesive tape over all seams of the box.

While packaging protects products, insurance provides peace of mind. Find out if insurance is included in the cost of sending packages. When negotiating terms for freight shipments, be clear about where responsibility for loss or damaged is transferred to the buyer.




Did you know?

First-rate logistics companies offer packaging consulting services. After analysing how products move through the entire supply chain, advice on packaging is offered and prototypes can be thoroughly tested to ensure they can withstand the rigours of conveyor-belt sorting or shelf stacking during transportation and storage. Additionally, qualified logistics partners can offer packaging tailored to segment-specific needs, such as specialised healthcare packages for temperature-sensitive shipments.

Typical tests include: bursting strength, edge crush resistance, compression, product shock fragility, and product vibration. Special equipment can simulate winter (frozen), tropical (wet) or desert (dry) conditions. Some governments and municipal bodies regulate packaging for certain goods and certification provides proof of conformity.

E-commerce Security

 A common method of online fraud is 'phishing'. Criminals persuade their victims to reveal sensitive information voluntarily or obtain card information from otherwise trustworthy online businesses that don't have adequate security. Experienced online traders protect their businesses by:

Experienced online traders protect their businesses by:

- Warning their customers to be wary of e-mails from their company that look suspicious. They reassure their customers that they'll never ask them to provide their confidential information in an e-mail.
- Making sure their customers have strong passwords that use a combination of letters and numbers. They also validate new customers with an address or card validation service.
- Using up-to-date virus protection software as well as spyware detection programmes. Their computers are equipped with either a software or hardware firewall.
- Instructing their customers to never give out transportation tracking numbers to unknown parties.

While it is not possible to stop phishing attempts, it is possible to make them less effective through a combination of virus protection, authentication, and advising customers to beware of possible threats.



Did you know?

Leading logistics providers provide application programming interfaces (APIs) for tracking shipments that can be integrated into retail websites. Tracking APIs allow online shoppers to monitor the progress their own shipments. It not only energises the online shopping experience, but also gives customers reassurance that their deliveries are progressing without problems.

APIs can typically be provided in basic HTML or more advanced XML versions. XML versions usually require an XML/Web Services programmer who can code functionality into an existing e-commerce website and integrate the API with the website's design.

Identifying US Barriers

The United States is the country most European SMEs choose when devising an export market entry strategy outside Europe. Because of the distance to the US market, business owners are concerned that the cost of transportation will increase the price of their products to a point where they can no longer compete with products manufactured locally.

The two major concerns holding some SMEs back from exporting to the US are:

1. Regulations and Red Tape

Businesses that have mastered exporting minimise the risk of customs delays by making use of a customs brokerage service. Experts who move shipments across borders every day handle all the complexities to help make sure goods get delivered on time.

2. Shipping Costs

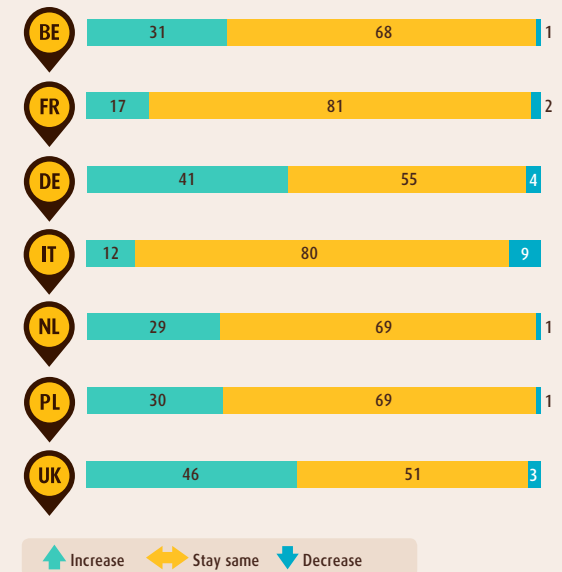
Accomplished exporters match the method of transportation with the business situation, choosing the most cost efficient alternative. Having packages delivered later or shipping goods by ocean freight instead of air freight cuts costs. Warehousing products offshore can also further reduce costs by optimising stockholding.



Between 51% to 81% of SMEs surveyed predict their exporting activity will remain static over the next 12 months. SMEs in the UK and Germany are more optimistic than in other countries, with more than 40% of current exporters expecting to increase exports within the year. Would-be exporters are reticent to begin sending goods abroad, with the majority of respondents in Belgium, France, the Netherlands, Germany, and the UK reporting that they are not very likely or extremely unlikely to start exporting in the near future. Businesses in Italy and Poland were more optimistic.

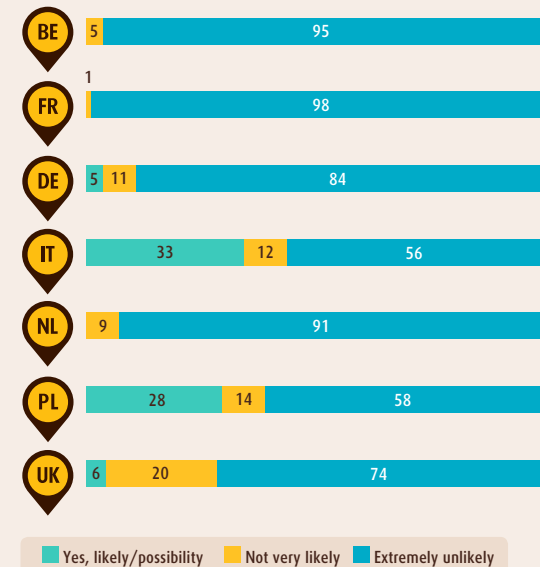
Current exporters:

Will volume of goods/packages sent abroad over next 12 months...



Not currently exporting:

Will you start exporting for the first time in the next 12 months?



Country Concerns

Export regulations and procedures and/or onerous administration and costs are the largest perceived barriers preventing SMEs from exporting to the US. Micro businesses tend to have the most worries overall and businesses that hadn't exported to the US before were most worried about shipping costs, internet security and competition in the local market.

Barriers to Exporting to the US

The top three worries or concerns that prevent SMEs in the seven surveyed countries from exporting to the US.

% giving score of 4 or 5



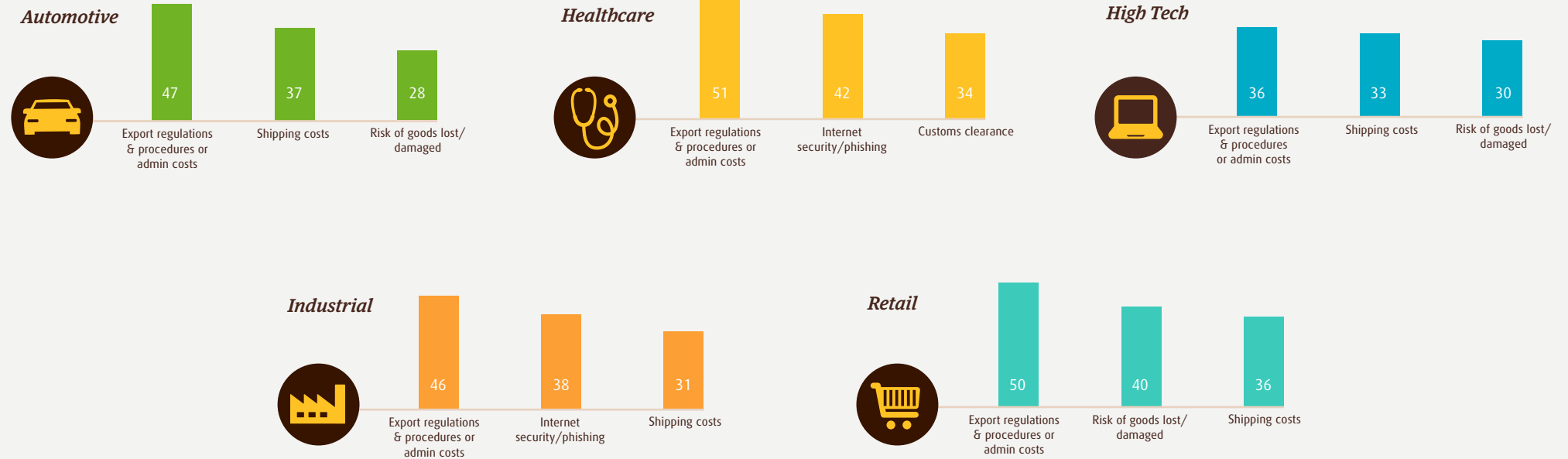
Sector Concerns

Export regulations and procedures and/or onerous administration and costs are a major barrier to exporting to the US across all business sectors. Shipping costs are also a major concern for SMEs in the automotive, high-tech, industrial, and retail sectors.

Sector Barriers to US Exports

The top three worries or concerns that prevent SMEs in the automotive, healthcare, high-tech, industrial and retail sectors from exporting to the US.

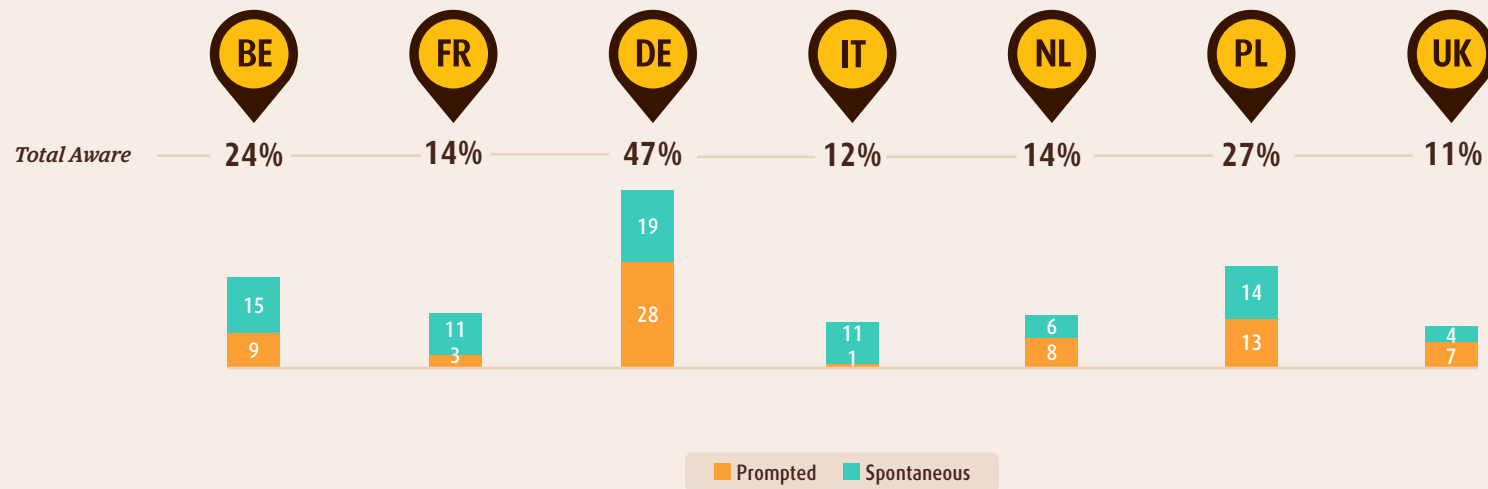
% giving score of 4 or 5



Transatlantic Trade and Investment Partnership

Many exporters have little knowledge of the Transatlantic Trade and Investment Partnership (TTIP), a trade agreement being negotiated by the EU and US. Awareness and understanding of the agreement is low in all surveyed countries on average 21% or less. Exporters in Germany have greatest awareness at 47% but respondents indicated they were unsure of the impact that TTIP is likely to have.

Awareness of TTIP



Breaking US Barriers

Cutting Red Tape

Customers are happiest when their orders are delivered on time. Dependable supply means they're able to keep their inventory levels low without fears of running out of stock. Suppliers worry that customs delays will prevent their goods from reaching their destination on schedule.

Many expert exporters minimise the risk of delays by using a customs brokerage service. The benefits are:

- ✓ Customs brokers move thousands of shipments across borders every day and thus are experienced at knowing what can go wrong.
- ✓ Experts handle all the complexities and ensure accurate rating of duties and taxes for all industries, including healthcare and high-tech.
- ✓ Electronic customs clearance begins before the shipments even reach the border and the progress of deliveries can be closely monitored with tracking technology. Top delivery companies have services that allow electronic filing of customs documents to help avoid mistakes and delays in processing.
- ✓ Special customs procedures, such as facilitating temporary import bonds, preparing export declarations or coordinating duty drawbacks, can be organised.
- ✓ Insights into the latest customs programs, such as remote filing services and entry reconciliation, help keep businesses at the leading edge in international trade.



Did you know?

TTIP is the trade agreement being negotiated by the EU and US, which could remove tariff barriers and cut customs red tape, making exporting easier. This could be particularly beneficial for small and medium-sized business who may not have the resources of larger businesses to deal with complex and costly customs procedures.

Reducing Shipping Costs



Exporting means transporting goods long distances, which can add to the end-customer's final price. Smart exporters look to logistics solutions to minimise transportation costs to keep their products competitively priced.

Strategies that should be investigated include:

Choosing delivery methods that suit the product type and customer need. It costs less if packages take longer to reach their final destination as they can be routed by rail or road instead of air. If the product being delivered is not perishable and the customer need isn't urgent, then slower delivery options may be more suitable.

Sending large shipments by ocean freight instead of air freight. The shipment will take longer to arrive at its destination, but ocean freight is substantially cheaper when large volumes are being exported.

Warehousing products offshore means they can be consolidated and shipped by ocean freight then broken down at the warehouse before individual items are speedily delivered to customers. The time it takes to deliver to consumers is cut dramatically as is the overall cost of transportation.

Did you know?

Outsourcing inventory management enables exporters to speedily penetrate new markets with built-in transportation efficiencies. Tapping into an existing offshore distribution infrastructure means goods can be warehoused closer to customers, reducing the cost and time-in-transit for deliveries.

Inventory management technology keeps stockholding levels at optimal levels, which can reduce working capital expenses. Networked distribution points mean alternative routing can take place when unusual events occur, thereby reducing the risk of disruption. Uninterrupted product flow and on time delivery of critical orders are key.

Conclusion

There's a definite appetite for exporting among SMEs in Europe. They're exploring new exporting frontiers and should be encouraged to take advantage of the many opportunities for doing business in Europe and beyond.

SMEs are extending their business dealings to the world's trade superpowers - the US and China - after becoming comfortable trading within Europe. Distances have contracted with access to communication technologies and logistics services.

With the help of expert customs brokerage services, markets have opened up even in highly regulated industries such as healthcare. But there's opportunity for every type of businesses. All SMEs - from high-tech to automotive - are discovering the benefits of cross-border trading.

The boom in information technology has made finding customers and developing relationships easier, no matter how far away they're located. Innovative logistical solutions are available, regardless of the business need or volume of goods being sold.

Businesses in all industry sectors have started selling goods online. Barriers preventing them from selling even more can be overcome with help from larger businesses, governments, and international trade agreements.



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 16.9 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 3,000 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 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.

Tracking technology

Every shipment with UPS can be tracked with a choice of technological solutions, depending on the frequency of shipments and the mode of transport used. Specialist solutions are available as growing SMEs start integrating warehousing inventory management into their global supply chains.

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 the convenience of submitting their trade documentation to UPS electronically, without having to attach paper documents.