

SHIPA / FREIGHT

# SHIP FOR SUCCESS: SMES AND INTERNATIONAL TRADE



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New research and best practice advice from Shipa Freight,  
designed to inform your trade strategy

*"SMEs are driving the global economy, and increasingly gaining access to international markets. While exporting can seem complex, new technologies are disrupting the market and removing obstacles to expansion."*

*"Entrepreneurial SMEs are shifting their focus to global sales, and continue to look for new, more efficient transport options to expand their business and develop a reliable international network."*

**Toby Edwards**  
CEO, Shipa Freight





# FOREWORD

SMEs are the beating heart of the global economy. Small and medium-sized businesses account for 95% of all firms, and deliver over 50% of GDP and two-thirds of formal employment in most countries ([World SME Forum](#)).

Our research explores the barriers that prevent SMEs from reaching their full potential. Smaller businesses remain underappreciated and poorly understood by governments and big business. They're struggling to access distribution networks, navigate compliance, and find suitable trade finance and shipping solutions. Our research shows that **94% of SMEs have faced difficulties when shipping internationally, and 87% believe their national government should offer them more support.**

But we also find that technology is the great leveler for SMEs, as Agility CEO Tarek Sultan argued in a recent blog for the [World Economic Forum](#). Digital platforms provide these businesses with "virtual" scale that they could never achieve on their own, giving them access to global value chains that have traditionally been dominated by their larger counterparts.

Dynamic and agile by nature, small and medium-sized businesses are beginning to embrace the opportunities that technology provides. Governments are not moving rapidly enough, and new programs can only do so much. SMEs must become digital champions to survive and grow internationally, taking advantage of the reach and scope that these technologies provide.

## About the Research

Shipa Freight's Ship for Success research examines the trade patterns and barriers experienced by SMEs, defined here as organizations with 10-250 employees. The opinion research was conducted in winter 2017 amongst 800 companies (400 exporters and 400 importers). There were 100 respondents from each of the following markets: UK, USA, Germany, Italy, India, Indonesia, China and UAE. Study participants included SME leaders, such as managing directors and operations directors. Participating companies were drawn from the following sectors: retail and fashion, fast-moving consumer goods (FMCG), automotive (including supply chain), industrial and manufacturing, and technology.

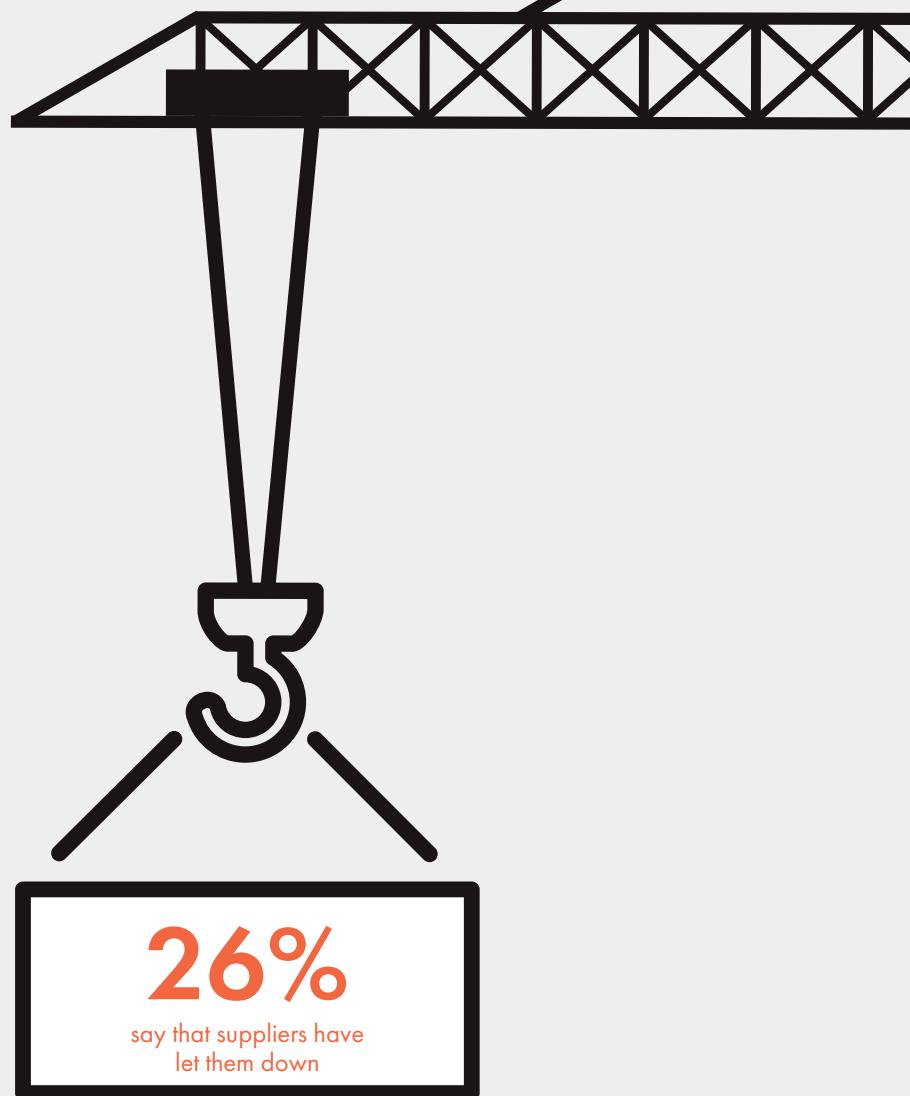


## BARRIERS TO INTERNATIONAL TRADE

Small and medium-sized businesses know that selling internationally is a route to growth. Of SMEs that already export, 71% are choosing to concentrate on overseas markets above their domestic market.

Although three-quarters of the SMEs we spoke to have been importing or exporting goods for more than four years, almost half (47%) of all respondents say that they lack the necessary expertise in international shipping. Many small businesses are finding it difficult to grapple with complex documentation requirements, and a significant proportion have had their cargo stopped in customs or lost in transit.

## Challenges faced by SMEs when shipping internationally



Emerging market SMEs are more likely to be concerned about economic, political and legal risks than those in developed markets. Over two-thirds (67%) of emerging market SMEs identify export regulations as a challenging issue, compared with only 44% of SMEs in mature European markets.<sup>1</sup> Currency concerns are also disproportionately affecting emerging market businesses: foreign exchange losses are a concern for 70% of them, while fewer than half of SMEs in the United States (47%) and in mature European markets (45%) share this worry.

**89%**

of SMEs expect their  
export revenues to grow  
in the next three years

When it comes to international trade flows, emerging market businesses say it's difficult to reach the shores of developed markets. Seventy-nine percent of those that export to Europe found it challenging to get started, and 67% of businesses that export to North America struggled to start exporting there. This suggests that these businesses need more support to understand the complex international laws and navigate different and ever changing compliance standards to reach their full potential.

Despite these difficulties, exporting SMEs believe that their international future is bright. Of the 400 exporting SMEs we spoke to, 89% expect their export revenues to grow in the next three years. Encouragingly, confidence is particularly high among emerging market businesses, with almost all of them (97%) forecasting growth.

*"SMEs have ambitious growth targets, and understand that expanding their export activities will be key to achieving them. But although small and medium-sized businesses have bold aims, many are finding the complexities of export regulations overwhelming. It's crucial for small businesses to find the right partners, who really understand their needs and can provide both the technology and the industry knowledge to make exporting as straightforward as possible."*

**Toby Edwards**  
CEO, Shipa Freight

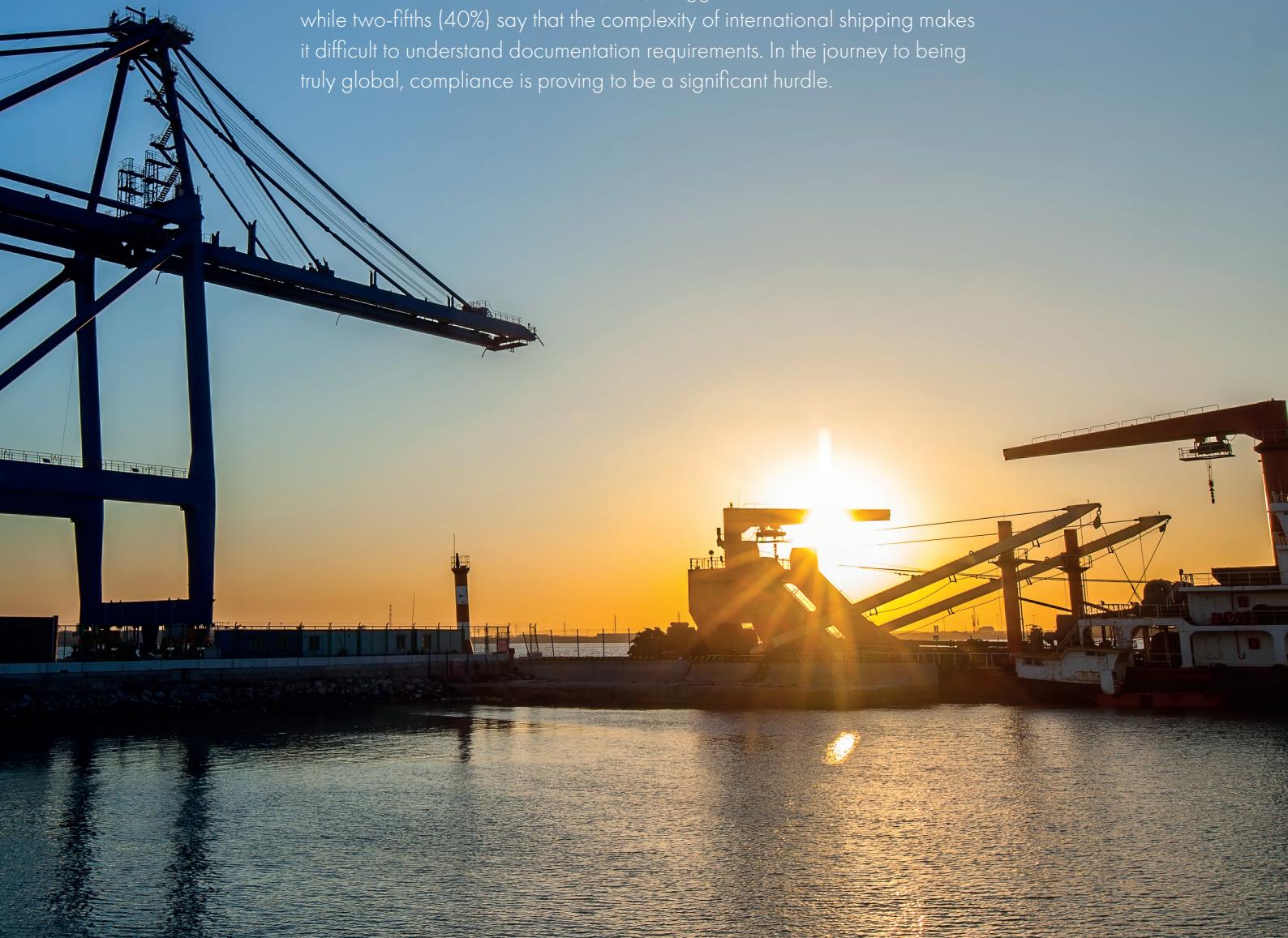
<sup>1</sup> 'Emerging markets' refers to the combined results of India, China and Indonesia, and does not include UAE. 'Mature European markets' refers to the combined results of the UK, Germany and Italy

# THE COMPLIANCE CHALLENGE

For companies big and small, compliance can cause a headache, and the penalties for non-compliance are often severe. For example, overlooking the latest International Maritime Dangerous Goods (IMDG) Code, implemented in January 2018, could mean unlimited fines and a two-year prison sentence in the UK. Governments around the world are introducing an abundance of new regulation. It can be difficult to navigate fast-changing rules and to abide by a myriad of standards and restrictions.

New legislation is also increasing the scope of corporate responsibility. Under the UK Bribery Act 2010, for example, a UK company can be found responsible for bribery performed in its service anywhere in the world, even if it didn't benefit from the actions. Global supply chains bring risk as well as opportunity.

For small businesses, the challenge may seem especially great. SMEs know that compliance is a headache and mistakes are costly. International laws and compliance issues are identified as a challenge by more than half (54%) of SMEs. Meanwhile, almost half (46%) struggle with standards and tariffs, while two-fifths (40%) say that the complexity of international shipping makes it difficult to understand documentation requirements. In the journey to being truly global, compliance is proving to be a significant hurdle.



*"Emerging market SMEs are more likely to be concerned about economic, political and legal risks than those in developed markets."*

### Regional comparisons: the proportion of SME leaders who say the following issues are challenging



International laws and compliance



73% of Indian SMEs



36% of German SMEs



Economic risks



82% of Chinese SMEs



40% of German SMEs



Legal risks



70% of Chinese SMEs



31% of UK SMEs



Political risks



70% of Indian SMEs



39% of Italian SMEs



## EXPORTERS SET THEIR SIGHTS HIGH

Global trade growth slowed or stagnated for the past decade before turning a corner in 2017 with estimated overall growth in world goods trade reaching 3.6%. [The World Trade Organization](#) (WTO) forecasts that this growth will continue in 2018 at a rate of 3.2%.

According to the [World Bank](#), conditions are improving for emerging market businesses as commodity prices strengthen, industrial activity expands and investment flows resume. There's a surge in confidence, and commodity importers' activity remains robust. Confidence also grew in advanced economies in 2017 as investment and exports regained momentum following a sluggish 2016.

The SMEs we spoke to are responding to this climate of strengthening global trade and investment. Eighty-nine percent of exporting SMEs expect their export revenues to grow over the next three years, despite the fact that more than a third (37%) are concerned that their attitude to exporting is too risk-averse.

**87%**

of SMEs have a clear strategy for future international markets to target

Seventy-one percent of exporting SMEs say they are concentrating their efforts more on overseas markets than on their home markets. Most have a focused approach, with 87% saying they have a clear strategy for future markets to target.



## CONNECTIVITY AND TECHNOLOGY

Almost three-quarters (74%) of SMEs think that it's easier than ever for small businesses to operate globally. This is good news, as a similar number (75%) believe SMEs that operate internationally are more resilient.

We know that small businesses are facing substantial challenges, so why are they so positive about the current export landscape? The answer is likely to lie in technology. Of the SMEs we spoke to, 89% think that technology is transforming the logistics industry, and a similarly high proportion (86%) believe that tech is "leveling the playing field" for SMEs to operate globally.

**79%**

of SMEs use online platforms for freight quotes and bookings

In fact, 79% of SMEs already use online platforms for freight quotes and bookings. These platforms are most popular in China, where 90% of small and medium-sized businesses use them often or occasionally.

All of this supports the [World Trade Organization's](#) view that "technological progress, through the expansion of e-commerce and the evolution of global value chains, is opening up new trading opportunities for SMEs."

*"Available evidence suggests a strong correlation between the technological savvy of small companies and the likelihood they will take part in cross-border trade. Governments are scrambling to create online export resources for SMEs, e-commerce platforms are giving small businesses easy global reach, and digital freight platforms are making shipping simpler. SMEs are reaping the rewards of these developments."*

**Toby Edwards**  
CEO, Shipa Freight

# CONCLUSION

New technologies are changing the game for SMEs. Blockchain, for example, provides a secure way of verifying complex processes, which could make customs checks cheaper and more efficient. Although this technology is at early stages, Agility recently became the first freight forwarder to collaborate on a [Maersk-IBM blockchain solution](#). Meanwhile, data and communications innovations are improving the customer experience, making interactions more personalized and making it easier for businesses to track freight.

SMEs that do business across borders are more robust and more successful than those that stick to their domestic markets. As governments fail to provide the support that these ambitious businesses need, technology providers and others are bridging the gap.

Our research shows that small businesses have the appetite for global growth, and by leveraging cutting-edge tools and platforms, they're likely to achieve it.





For more information about SMEs and international trade, or to discuss the findings in greater detail, please contact:

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## About Shipa Freight

Shipa Freight is the new online platform powered by Agility that makes it easy to get air and ocean freight quotes, book, pay and track your shipments online. With our global network of logistics experts and industry-leading technology, we ensure that your goods arrive safely and reliably every time.

For more information about Shipa Freight, visit [www.shipafreight.com](http://www.shipafreight.com)

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## About Agility

Agility is one of the world's leading providers of integrated logistics. It is a publicly traded company with more than \$4.6 billion in revenue and more than 22,000 employees in over 500 offices across 100 countries. Agility Global Integrated Logistics (GIL) provides supply chain solutions to meet traditional and complex customer needs. GIL offers air, ocean and road freight forwarding, warehousing, distribution, and specialized services in project logistics, fairs and events, and chemicals. Agility's Infrastructure group of companies manages industrial real estate and offers logistics-related services, including customs digitization, waste management and recycling, aviation and ground-handling services, support to governments and ministries of defense, remote infrastructure and life support.

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