

Smart Exporter Strategic Review

Final Report for

Scottish Enterprise

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Smart Exporter Strategic Review

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Executive Summary

Background

Launched in April 2010, Smart Exporter is a broad programme of support designed to raise international ambition and deliver international skills and technical support to Scottish businesses and individuals to ensure they have the capabilities to internationalise. The programme is funded by Scottish Enterprise (SE) and the European Social Fund (ESF) with funding due to finish on the 31st March 2014.

The programme provides an integrated approach to the delivery of international trade skills providing export training for entrepreneurs and key staff across Scotland's business community i.e. to both SE Account Managed and non-account managed companies (known as Non Relationship Managed "NRM") companies. The aim of account management is to generate additional economic impact by helping supported companies achieve growth aspirations, generate and safeguard employment and improve efficiency and productivity. The account management process is facilitated by an account manager – a single point of contact who provides/coordinates one-to-one support, advice and guidance to a strategic contact(s) within the supported company. Non relationship managed companies include those referred by Business Gateway; companies with whom SE does not currently have a direct relationship with but who access SE products and services and those who may potentially meet the criteria for account management in the future.

Smart Exporter offers a broad package of support, including events, online tools and individualised expert support. Its targets include 7,500 company assists, across 3,000 unique companies and to up-skill 4,500 individuals.

Review Objectives and Approach

The review sought to assess what the programme had achieved to date in terms of objectives, targets and benefits to both businesses and individuals to identify the key learning points and inform the future direction of support.

The report is based on an analysis of existing programme data and intelligence supplemented by consultations with a series of stakeholders in group meetings and one to one consultations. A full list of stakeholders is provided in Appendix 1.

Rationale for Intervention

Smart Exporter was designed to play a key role in supporting Scotland's economic growth through helping firms **realise the economic benefits associated with exporting** e.g. exporting firms experience faster productivity growth than non-exporting firms; firms that are new to exporting experience, on average, a 34% long-run increase in total factor productivity; and firms exiting overseas markets experience negative productivity effects (averaging 7-8%) in the year they stop exporting.¹

The project was also necessary given:

- **the gap between the proportion of businesses exporting goods and services in Scotland and the UK:** 13% of micro businesses, compared with 17% for the UK; 22% of small businesses, compared to 26% for the UK; and 37% of medium sized businesses, compared to 40% for the UK².
- **limited levels of SME exporting activity:** Scottish's top 100 exporting companies account for circa 60% of the country's international exports³.
- **the need to address market failures which may inhibit export activity:** including failures related to imperfect information and externalities. The provision of specialist international technical

¹ Harris, R. and Q. Cher Li (2007), *Firm Level Empirical Study of the Contribution of Exporting to UK Productivity Growth*

² Scottish Government *Small Business Survey 2012*

³ *Delivering Growth Through International Trade and Investment: Considering Transformational Change*, SE Board Discussion Document, March 2013

knowledge is required to support businesses through the complex process of trading successfully internationally and encourage greater business participation in exporting.

Strategic Context

The project continues to align with the overall strategic goals of Scottish Enterprise, SDI and the Scottish Government, including:

- **Government Economic Strategy:** including its aim to provide "targeted support to business in pursuit of opportunities outside of Scotland and the development of internationally competitive firms" with a target for Scottish businesses to deliver a 50% increase in the value of international exports by 2017.
- **Scottish Enterprise 2013-16 Business Plan:** particularly its aim to achieve a £1.2 billion to £1.7 billion increase in international sales from supported businesses between 2011 and 2015.
- **International Trade and Investment Strategy:** including its objective to enhance the global expansion capabilities of companies through international strategy development.
- **Sector Delivery Plans:** all of which include commitments to increase export activity

Inputs, Activities and Progress Against Targets

Smart Exporter has a budget of £5.98million over the 4 years of the programme, including a £2.6 million European Social Fund contribution and £3.3 million Scottish Enterprise match funding. This funding has supported a range of activities including events, roadshows, clinics, workshops, on-line assessment tools, e-commerce and technical support. Based on the data up to August 2013, Smart Exporter appears well on its way to achieving its targets, with the target for unique companies now already achieved (3,105 achieved vs a target of 3,000), 87% of the target for unique individuals upskilled achieved (3,934 vs 4,500) and 74% of the target for company assists achieved (5,522 vs 7,500). However, looking ahead, we believe there could be a case for future targets to be more stretching, and more aligned to new objectives (e.g. the move from non-exporter to exporter being tracked).

Stakeholder Perspective

Based on our stakeholders interviews we conclude that:

- **While the programme works well, there is still a continuing need for support:** stakeholders agreed that the main barriers to export (including the imperfect information market failure) still existed and that there was a need to encourage companies to export.
- **The programme has a good fit with, and contributes to Government and wider economic development strategy:** including the target to increase exports by 50% in the Government Economic Strategy.
- **The programme is performing well and is likely to achieve targets:** and as a result is starting to help to build capability in Scottish companies.
- **The programme design is viewed as meeting client needs across individuals and companies:** with the product mix working well for individuals and companies.
- **More needs to be done to ensure a fit with the equalities agenda:** while only a few stakeholders were able to fully comment on this area, all were in agreement that in going forward the Smart Exporter team must conduct an Equality Impact Assessment.
- **Changes in delivery agents are viewed as benefitting the programme:** SE/SDI taking over the programme provided an opportunity to shape the programme into something that would achieve targets, while fully meeting the needs of Government and wider SE/SDI targets.

- **ESF, while challenging, was also seen as benefitting the programme:** although the funding mechanism has its challenges (e.g. SE and SDI do not typically set targets around individuals supported), the majority of stakeholders believed that the ESF funding had actually benefitted the programme, encouraging skills development of multiple individuals in each supported company.
- **Partnerships are viewed as working well:** this has already resulted in referrals to and from Business Gateway and wider partners.
- **Use of contracting staff to deliver the programme viewed as high risk:** this could negatively impact the programme in the short term if they were to leave, especially as the programme is now into its last year of operation under the currently agreed budget.
- **ERDF is the expected funding mechanism for future programmes:** while stakeholders were generally ambivalent on future funding sources, most thought that ERDF would be the mechanism of choice for SE/SDI due to their focus on supporting companies.
- **Customer export journey is in its infancy:** to date, only a small proportion of companies (and individuals) had received multiple support and as such this made it difficult for stakeholders to fully understand what a 'journey' might look like.
- **Demand for engagement has only reached the tip of the iceberg:** there is still a large pool of businesses in Scotland who are either unaware of exporting or have chosen not to export.
- **There are mixed views on the effectiveness of the current marketing strategy:** in particular, there are concerns that the current marketing database of around 9,000 companies may limit the potential of the programme to reach out to a sufficient number of companies for it to achieve future targets.
- **Data capture, processing, analysis is too complex:** having two systems, one for individuals and one for companies, had created inconsistent data that required extra processing for it to be ready for analysis.
- **Programme is viewed as working well and benefits are starting to emerge:** the consensus view is therefore that the programme should be continued.

Company Perspective

Companies were generally highly satisfied with the programme, awarding each of the courses an average score of between 4 ('satisfied') and 5 ('very satisfied') for both content and format.

The main benefits identified were a better understanding of exporting and what is required; a better understanding of how to research target markets; a better understanding of how to protect company e.g. legal issues, good information to help build business/export plans and being more prepared to export.

The majority of participants had developed or started to develop an export action plan as part of attendance on the workshops and it was clear from the action plans that the majority already had an idea of target markets with many indicating the locations of interest.

Recommendations

Based on the above analysis, we recommend that:

1. The Smart Exporter Programme should continue to be supported by SE/SDI. Further analysis to gain a deeper understanding of the market failures of the companies already supported and of the wider business base should be considered.
2. The Smart Exporter product mix should continue with its current product portfolio with an aim to ensure fit with any future funding mechanism. Online mechanisms should be more fully utilised in any future products. The programme should also ensure it links effectively with wider SE support

including innovation, investor readiness and investment that could help companies better exploit international opportunities.

3. The Smart Exporter team should continue to develop case studies to demonstrate the customer journey.
4. The Smart Exporter team should look to the new CRM system to further explore the data and understand the journey that companies go through as well as use this to inform future target marketing.
5. A programme the size and complexity of Smart Exporter requires a dedicated resource to help track the company journey through the efficient management processing and analysis of data.
6. Underpinning this is the requirement for an improved and streamlined system for capturing, monitoring and analysing the data. This should involve development of more outcome focussed measures including capturing an export baseline which will help measure to what extent Smart Exporter has helped a company move from being a non exporter to an exporter.
7. To help meet the volume targets it will be necessary for a significant proportion of marketing activity to continue to focus on engagement and awareness raising with an aim of encouraging more of the 100,000 plus VAT registered businesses in Scotland to understanding the benefits and develop the skills to make their business international. To do this, the current marketing database must be significantly increased to ensure that Smart Exporter has the maximum chance to support the achievement of future Scottish Government export targets.
8. To ensure that companies are fully engaged and moving along their export journey from appreciation to action/implementation, Smart Exporter requires a formalised approach to target marketing.
9. Future marketing activities require continued emphasis on awareness raising and need more robust targeting. Marketing activities should explore the potential of different activities including digital channels. The new SE Digital Strategy will be a useful positioning document. Further analysis to better understand the size of the market and the pool of companies with export potential should be considered.
10. To assess GVA SE/SDI should undertake a survey of a sample of companies, possibly as part of the wider survey of companies assisted by SDI scheduled for 2015. The survey should focus on companies that accessed support in the early stages of the programme thereby allowing them to be closer to or achieving returns and companies that have accessed multiple supports.
11. The Smart Exporter team should develop an Equality Impact Assessment. This should build on the current information collected around gender, race and age to include disability, religion/belief and sexual orientation. Consideration should be given during the assessment to extend to other protected characteristics such as religion/belief and sexual orientation, where practical and proportionate.
12. SE/SDI should look to how they resource the programme in the future to retain a high level of staff continuity as the programme develops.

1 Introduction and Approach

This report outlines the findings from Frontline's strategic review of Smart Exporter, undertaken between May and October 2013.

1.1 Review objectives

The review will provide an assessment of:

- market failure and rationale for intervention
- fit and contribution to the Government Economic Strategy and SDI Business Plan
- fit and contribution to other SE activities, key sector development and the SE Business Plan
- programme objectives, targets and benefits achieved
- usage, quality of support and demand
- communications, management and delivery
- management information and performance measures
- programme learning points
- contribution to the equity and equalities agendas

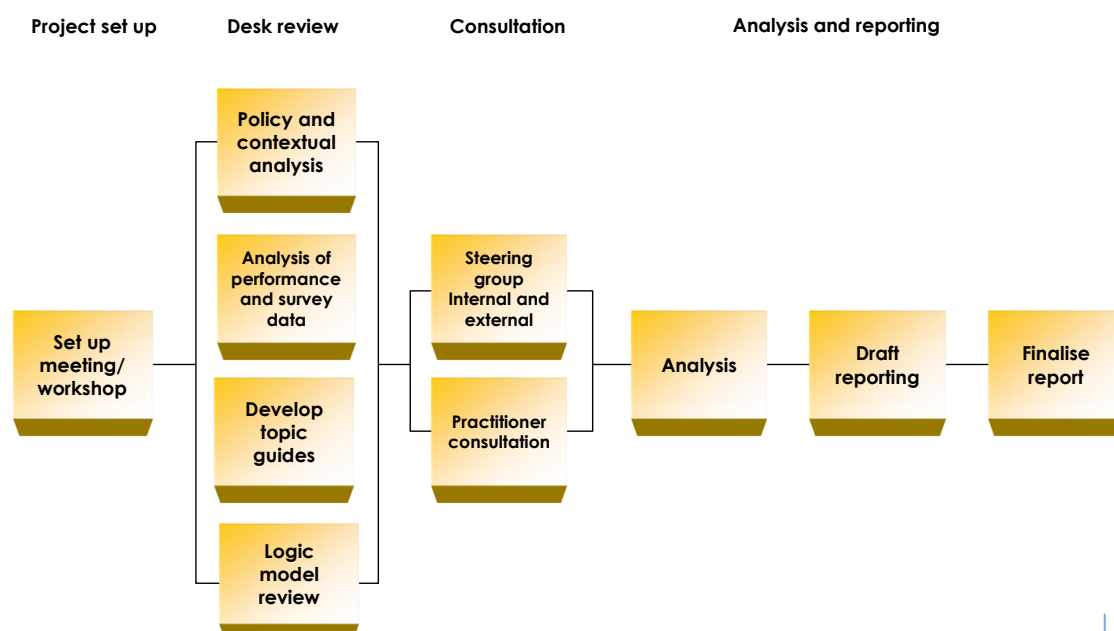
In accordance with the brief, the key areas of focus for the review as a whole are:

- market failure and rationale for intervention
- programme objectives, targets and benefits achieved;
- project learning
- key findings and recommendations for the future

The outputs and analysis will provide recommendations for the future direction and delivery of the project.

1.2 Our approach

Our research is based on a review of the key strategic documents, interviews with 22 programme stakeholders (listed in Appendix 1) and an analysis of performance monitoring and customer relationship management (CRM) data. The diagram below shows our method of work:



2 Programme Overview

2.1 Smart Exporter overview

Smart Exporter is a broad programme of support launched in April 2010 to raise international ambition, and deliver international skills and technical support to Scottish businesses and individuals to ensure they have the capabilities to go international. The programme is funded by SE and the European Social Fund (ESF) with funding due to finish 31 March 2014.

The programme provides an integrated approach to international trade skills and provides export training for entrepreneurs and managers across Scotland's business community i.e. to both Account Managed and non-account managed (known as Non Relationship Managed "NRM") companies.

Services include:

- Events – including market awareness and in partnership with professional intermediaries (banks, accountancy, legal) and Business Gateway
- An online export assessment tool and international guides
- International strategy forums and workshops
- Preparing to Export courses (online, introduction and intermediate)
- Preparing for international growth course (advanced)
- E-commerce workshops and masterclasses
- Technical support (helpline and visits)
- International Manager for Hire
- International Specialist Engagement

Smart Exporter is SE's main delivery vehicle for wider engagement with the business base in Scotland, up-skilling Scotland's businesses in export best practice and technical knowledge.

Changes in the strategic context, the original partnership delivery model, and learning to date led to changes to the original approval to ensure the programme optimises its contribution to both the Scottish Government's 'export' targets and the delivery of the SE Business Plan. These changes are summarised as follows:

- SE took on lead applicant status for ESF funding from Edinburgh Business Development – this secured additional ESF matched funds from SE
- overall programme (including partner delivery) to reduce from the original £7.62m to £5.98m as a result of a key partner withdrawing
- SE approved an additional £1.159m investment taking the total approval from £1.78m to £2.939m – this secured further ESF of £0.821m, extending the project for one year and funding an increase in exporting activities delivered by SE through Smart Exporter
- programme delivery increased from 3 years to 4 years (till 31 March 2014)
- target outputs for SE in terms of individuals skilled and businesses assisted increased as a result of additional funding
- introduction of new activities by SE to reflect learning and selected delivery of technical support previously supplied by partners (such as training in export documentation, logistics)
- refinement of activities and outputs to reflect customer demand, including significantly increased one-to-one support for businesses in line with SE business plan and Scotland's Trade and Investment Strategy

These changes reflect a range of factors including the Scottish Government focus on improving export capability of entrepreneurs and managers within the business community. In addition, experience of working with Scottish businesses to date has permitted the refinement and re-focus on products that are most beneficial to developing export potential – including a range of new products and services. The project has effectively evolved to meet customers' demands and needs with lighter touch products allowing SDI to engage with companies they previously would not have been able to support.

The programme's strategic objectives are:

- to raise the aspirations and ambition of more Scottish businesses to think, compete and trade globally
- to establish a total international trade skills programme for Scotland built on delivering skills to business leaders and key staff in businesses

The revised programme further enhances the integrated approach for international trade skills and continues the step change response to the economic downturn for Scotland by providing export skills training for entrepreneurs and managers within Scotland's business community.

The programme provides the vital link between key stakeholders and significantly increases the reach and penetration into Scottish businesses, as a slow growth UK economy means internationalisation is even more essential than when the original programme was developed in April 2010.

The original ambitious programme remains valid and directly meets the Government's aim to support Scottish companies to 'Prepare for Growth' as well as a range of other key strategies including the Scottish Government's Economic Strategy (GES), Scotland's Trade and Investment Strategy 2011-15 and the Scottish Government's and EU's Recovery Plans as it continues. It supports these strategies by helping Scottish companies to export products and services in the global arena through the acquisition of learning focused around internationalisation.

2.2 Programme targets

The original SAG approval of late 2010 was amended as a result of changes noted earlier. SAG notification of change came about in August 2012, with a revised offer of ESF grant in September 2012. Outputs measured were revised downward in recognition of reduced funding.

Table 2.1 presents the current targets; we note that these have changed from the original approval as detailed in Section 5. Progress against targets is presented in Section 5.4.

Programme targets

Table 2.1

Output	Target
Company assists	7,500
Unique companies	3,000
Individuals upskilled	4,500

3 Market Failure and Rationale for Intervention

3.1 Scotland's export performance

Over the past four years, the proportion of Scottish turnover attributable to overseas exports and sales to England, Wales and Northern Ireland have increased slightly, though Scottish businesses remain highly dependent on domestic sales, with over 70% of all turnover generated in Scotland attributable to sales to domestic customers.

Distribution of Scottish business turnover, 2008-2011

Table 3.1

	International exports	Rest of UK exports	Domestic sales
2008	8.4%	16.2%	75.3%
2009	9.1%	17.5%	73.4%
2010	9.3%	18.2%	72.5%
2011	9.4%	17.8%	72.9%

Sources: *Frontline*, based on *Annual Business Inquiry 2011* and *Scottish Government Global Connections Survey 2011*

While overseas exports account for almost one-tenth of national turnover, much of this export activity is concentrated within a small number of businesses.

Research by Scottish Enterprise⁴ indicates that Scottish's top 100 exporting companies account for circa 60% of the country's international exports. Evidence from the Scottish Government Global Connections Survey indicates that Scotland's five top exporting sectors (out of 31) collectively account for approximately half of all Scotland's export sales. These are:

- food and beverages
- manufacture of coke, refined petroleum and chemical products
- manufacture of computer, electronic and optical products
- financial and insurance activities; and
- manufacture of machinery and equipment not elsewhere classified

There is evidence to suggest that the number of active exporters in Scotland has fallen by 5% over the last five years.

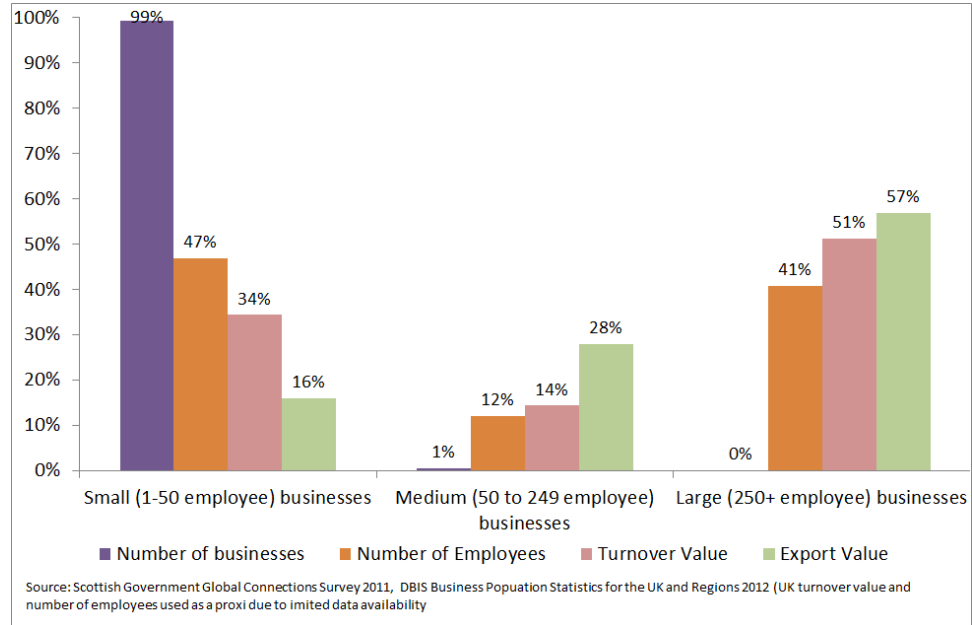
Figure 3.1 illustrates the extent to which large businesses dominate Scotland's export market. It shows that, while small businesses account for approximately 99% of the Scottish business base, 47% of employment and 34% of national turnover, they only account for 16% of the country's exports.⁵

⁴ *Delivering Growth Through International Trade and Investment: Considering Transformational Change*, SE Board Discussion Document, March 2013

⁵ We were unable to identify like-for-like figures for the UK to compare these against

Export activity by firm size

Figure 3.1



3.2 Strategic case

Statistics show that a lower proportion of Scottish businesses export than the UK average – 13% of micro businesses (compared with 17% for the UK), 22% of small businesses (26% for the UK) and 37% of medium sized businesses (40% for the UK)⁶. Increasing the number of exporters and the amount that businesses export is vital to Scotland's economic prosperity. At an individual company level, exporting helps businesses by:

- broadening their pool of potential customers
- reducing instances where Scottish businesses compete over the same customer
- helping businesses move into more productive, value added activities

In a UK study, Harris and Li⁷ found that:

- exporting firms experience faster productivity growth than non-exporting firms
- firms that are new to exporting experience, on average, a 34% long-run increase in total factor productivity
- firms exiting overseas markets experience negative productivity effects (averaging 7-8%) in the year they stop exporting

Smart Exporter therefore has a role to play in supporting Scotland's economic growth through helping Scotland's firms to internationalise.

⁶ Scottish Government Small Business Survey 2012

⁷ Harris, R. and Q. Cher Li (2007), Firm Level Empirical Study of the Contribution of Exporting to UK Productivity Growth
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3.3 Market failure and equality case

According to guidance issued by HM Treasury⁸, agencies should only spend public money on a project or intervene in the market in the following two circumstances:

- **where there is inequality in the marketplace:** for example where a region or societal group is at a disadvantage relative to society as a whole
- **where there is a market failure:** leading to sub-optimal levels of investment in the private sector

In the case of Smart Exporter, there are three theoretical arguments in favour of intervention, including two market failures (imperfect information and externalities) and an equality case.

- **imperfect information:** selling goods to foreign markets can be difficult, and requires access to a local knowledge about who the buyers are in the target country, and the regulatory and cultural issues associated with doing business in that country. Potential exporters may find it difficult to obtain this information without public support. The approval paper refers to this form of market failure when it argues that “specialist international technical knowledge is still required to support businesses through the complex process of trading successfully internationally”
- **externalities:** when businesses in Scotland take decisions around what levels of time, money and effort they wish to invest in exploring export opportunities, they are likely to base this primarily on the levels of profit exports can bring to their business, and will have less incentive to consider the impact the exports can bring to other businesses in their supply chain, or to Scotland’ economy as a whole. This may lead to under-investment in export activities. The approval paper refers to this form of market failure rationale when it argues that “by expanding into new markets, it [Smart Exporter] can help businesses to diversify income streams, increase turnover and margins, create employment and bring other economic benefits to the Scottish and local economy”
- **equality:** small to medium enterprises (SMEs) are typically less competitive than multi-national businesses in export markets, as they do not have the same access to an international network or advisors and sales representatives (see Figure 3.1). This can create a barrier to their growth. The approval paper acknowledges the presence of inequalities in support when it notes that “the level of funding varies across the region and is not always well aligned with business objectives to generate real benefits”

Smart Exporter aims to address the externality failures by encouraging greater business participation in exporting. It aims to address the imperfect information failures by providing information and guidance to businesses that help ease the process of selling overseas. Finally, it aims to address the equality issue by providing targeted support to SME businesses. We will consider the extent to which the programme has succeeded in addressing these failures in the stakeholder analysis section of the report.

3.4 Understanding the impact of the programme

On completion of each Smart Exporter workshops, participants are asked to provide an action plan outlining the activities they will undertake to enable them to export. The Smart Exporter programme will have succeeded in addressing the above market failures if it helps to create new exporters, and helps existing exporters to do more. However, without the opportunity to interview businesses, it is difficult to fully determine whether this is the case.

Sections 4 to 7 of this report will consider the extent to which:

- Smart Exporter has led to a change in levels of understanding of exporting opportunities
- Smart Exporter has changed companies' perceptions of risk and reluctance to enter export markets
- there continues to be barriers to exporting and how these vary throughout the exporting journey

We now go on to explore the strategic context of the programme and its fit with other activities.

4 Strategic Context

4.1 Government Economic Strategy⁹

The Scottish Government's **Government Economic Strategy** (GES) sets out the overall strategic direction for all public sector agencies in Scotland with a stake in its economic development. It identifies "sustainable economic growth" as "the one central purpose to which all else in Government is directed and contributes". It also identifies "a supportive business environment" as one of the five strategic priority necessary for achieving this strategic growth, and names "targeted support to business in the pursuit of opportunities outside of Scotland and the development of internationally competitive firms" as one of the six strategic approaches needed to deliver this strategic priority. The strategy sets a target for Scottish businesses to deliver a 50% increase in the value of international exports by 2017.

4.2 Scottish Enterprise 2013-16 Business Plan¹⁰

The **Scottish Enterprise 2013-16 Business Plan** identifies the agency's overall ambition as "to help make Scotland more globally competitive". To achieve this, it sets the organisation a strategic objective of "Increasing Scotland's international trade and investment", and includes the following measures:

- over 2011-15, achieve a **£1.2 billion to £1.7 billion** increase in international sale from supported businesses
- exports In 2013-14, **220 – 330** companies projecting significant turnover growth from exporting, including **150 – 210** projecting turnover growth of £1 million plus
- over 2011-15, **8,000 –10,000** companies assisted to develop their capacity for exporting through initiatives like Smart Exporter

4.3 International Trade and investment Strategy¹¹

Scotland's **International Trade and Investment Strategy** was launched in March 2011, giving a stronger focus on exports came after the launch of Smart Exporter in 2010. As well as contributing to all of the above objectives and targets, Smart Exporter also contributes to three of the strategic aims of this strategy, namely to:

- enhance the global expansion capabilities of companies through international strategy development
- create partnership investments between Scottish and foreign companies and organisations to open new channels to markets, investments, technologies and products
- increase trade growth by encouraging the expansion of Scotland's portfolio of first-class exported goods and services to new markets

SDI international business growth model – ACE – focuses on:

- **A**mbition and awareness raising
- **C**apability and capacity building
- **E**xpansion and exploitation

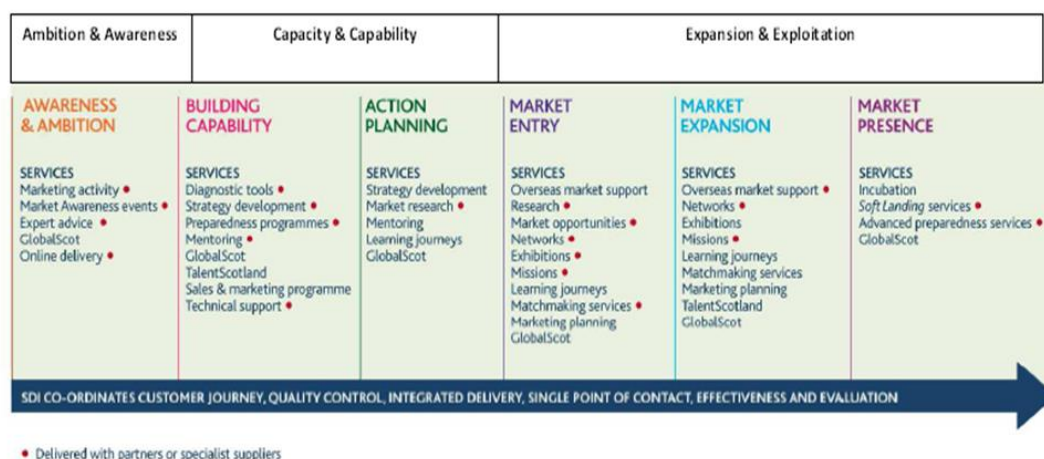
The diagram below shows the services that fall into each of the categories.

⁹ <http://www.scotland.gov.uk/Publications/2011/09/13091128/0>

¹⁰ <http://www.scottish-enterprise.com/knowledge-hub/articles/publication/business-plan-2013-2016>

¹¹ <http://www.sdi.co.uk/resources/reports/international-trade-and-investment-strategy-2011-2015.aspx>

SDI International Business Growth Model



Smart Exporter sits across the first two areas and has the potential to increase the likelihood of success further down the line in terms of expansion and exploitation.

4.4 Fit with sectoral delivery plans

Smart Exporter also supports the achievement of the Scottish Enterprise Sector Delivery Plans, all of which include commitments to exports, including the following:

Export contribution to sector delivery plans

Table 4.1

Sector	Export activities and commitments
Construction and low carbon built environment	Increase exports to the rest of the UK to £1.1bn, and generate a further £80m overseas exports by 2015
Tourism	Increase exports to 'near neighbours' (e.g. Western Europe) from £731m in 2011, to £1,035m in 2020. Over the same period, increase exports to 'distant cousins' (incl USA and Canada) from £414m to 3,505m and sales to 'emerging markets' from £33m to £83m in 2020
Chemical sciences	Increase exports by 35% by 2017 and 50% by 2020
Financial services	Target to increase the export performance of the professional services sector by 50% by 2017
Textiles	Target to increase export sales by 50% by 2016.
Energy and low carbon technologies/renewables	Commitment to "Support Scottish companies to identify and realise immediate exporting opportunities in Northern Europe, particularly in Germany"
Creative industries	Plan argues that "raising the level of export ambition of companies is vital for the future health of the industry"
Life sciences	Target to have 28 companies projecting £1m growth in turnover from exporting over next 3 years
Oil and gas	Target of a 65% increase in exports between 2011 and 2017
Technology and engineering	Plans to develop programmes and measures that help to underpin a growing focus on internationalisation activity, including inward investment, trade and export.
Forestry and timber	Commitment to work with SDI to scope a pathway to greater internationalisation for the sector.
Food and drink	Target to increase exports from £3.7bn to £5.1bn

5 Inputs, Activities and Progress Against Targets

5.1 Input

The total project input (from SE and ESF) is £5.98million over the 4 years of the programme and is broken down as follows:

- forecast project income of £2.6m (source – ESF 45% on eligible expenditure)
- forecast SE matched spend of £3.3m (with £2.94m already approved)

Total ESF eligible expenditure to the end of September 2013 was £2.3mn. As the grant funding is from ESF, the programme had to focus on both support for businesses and individuals. Funding arrangements have provided challenges in the development of management and reporting tools and processes and these are discussed in the remainder of this report.

The key changes in the inputs and targets are summarised in Table 5.1.

Changes to programme inputs and activities

Table 5.1

	Original	Change	New
Total programme funding	£7.62m	-£1.64m	£5.98m
Approval of additional activity	£1.78m	+£1.52m	£3.3m*
ESF income (to SE)	£1.78m	+£0.82m	£2.60m
Time frame	3 years	+1 year	4 years
Outputs			
Company assists (by SE)	5,290	+2,210	7,500
Unique companies (by SE)	n/a	n/a	3,000
Individuals upskilled (by SE)	4,000	+500	4,500

* £3.3m forecast spend of which SE has already approved £2.94m

5.2 Activities

Smart Exporter provides a range of skills related activities/events, products and services, designed to provide a comprehensive offer to all companies and individuals. The product mix has changed as the programme developed. For example, existing SDI projects were brought under the Smart Exporter umbrella, with some broken down to better match the need of would –be exporters and existing exporters with differing requirements. Products, events and services include:

- roadshows
- clinics
- workshops
- online assessment tools
- e-commerce
- technical support

A full list is presented in Appendix 2.

5.3 Outputs

5.3.1 Progress of Smart Exporter against targets to date

Progress against targets is shown in Table 5.2. The figure of 3,976 (below) recorded in May 2013 includes all unique individuals who have accessed Smart Exporter including those that have not fully completed the required documentation or who fall into the HIE regions. The actual figure of 3,934 recorded in August 2013 is the figure used for ESF reporting and therefore excludes those individuals who have not fully completed the relevant documentation or are based in the HIE regions. Removing those individuals who have not filled in the relevant documentation and are from the HIE regions from the total May 2013 figure of 3,976, gives a total figure for ESF reporting purposes of 3,191.

Progress against targets

Table 5.2

	Target	Actual to May 2013	Actual % to May 2013	Actual to Aug 2013	Actual % to Aug 2013
Unique Individuals upskilled	4,500	3,976	88%	3,934	87%
Unique Companies	3,000	2,472	82%	3,105	104%
Company Assists	7,500	4,106	55%	5,522	74%

Based on the data up to August 2013, Smart Exporter appears well on its way to achieving its targets, with the target for unique companies now already achieved. However, looking ahead, we believe there is a case for future targets to be more stretching, and more aligned to new objectives (e.g. the move from non-exporter to exporter being tracked).

6 Stakeholder Perspective

We consulted with a wide range of stakeholders at various points during the strategic review in both group meetings and one-to-one consultations. A full list of stakeholders is provided in Appendix 1. A summary of the themes emerging during the consultations are presented in the following section.

6.1 Rationale for need continues to exist

Stakeholders were in complete agreement that the programme was working well, particularly in terms of increasing understanding of export markets and opportunities, and increasing people's confidence and willingness to export. However, there was still continued need for support. They stated that the main barriers to export (including imperfect information market failure) still existed and that exporting was on the decrease in the Scottish business place. Scottish Enterprise's management information highlights that only 45% of Account Managed companies export, and our wider research states Scotland lags behind the rest of the UK in export levels (as detailed in Section 3.2). This supports the continued need for support.

Some comments included:

"Scotland needs to export more, get more companies looking to internationalise. However we need volume activity, a focus on NRM if we are going to have to make a real difference."

"Current levels of exporting in Scotland and across the UK are still very low; despite awareness raising companies are still not recognising the potential of exporting."

"There is still a lack of self-generated enquiries which suggests the companies are still not fully aware of what is on offer and what exporting has to offer."

"SMEs still perceive the export barriers to be high, and as such they don't easily get involved."

"Penetration into markets such as US/EU is still low – we still need to do more to help this."

"There continues to be a lack of understanding of the risk associated with different markets and limited knowledge of market entry strategies."

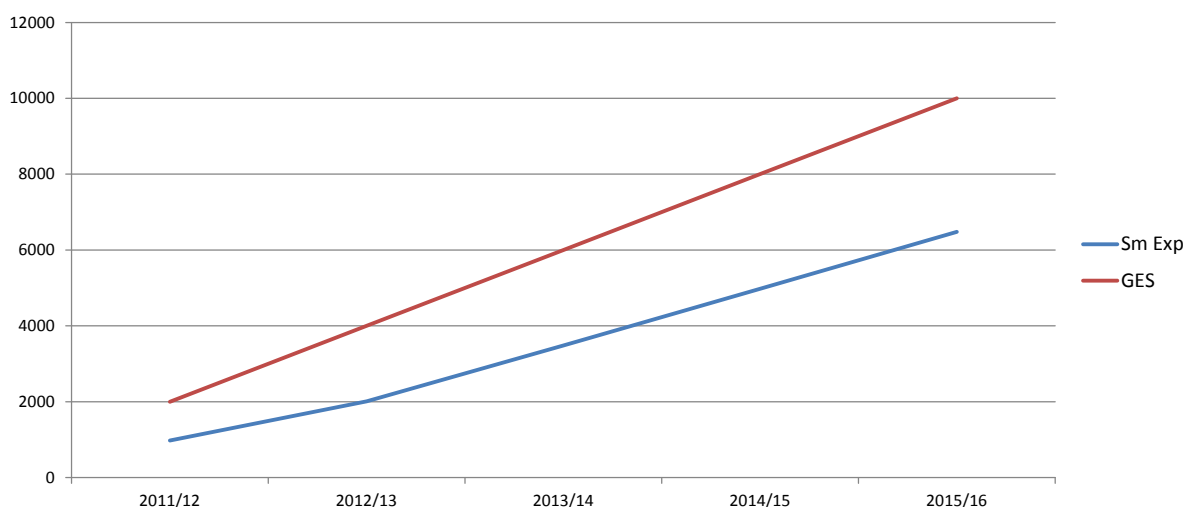
"Exporting is a key target, we need programmes like this if we are going to meet this."

6.2 Good fit with and contribution to Government and wider economic development strategy

All stakeholders were in agreement that Smart Exporter was an essential element in contributing to the GES target to increase the number of new companies having the capability to export to 8,000 to 10,000 by 2015. They agreed that Smart Exporter had helped to minimise the gap between those that export and those that don't.

The majority of stakeholders specifically highlighted that Smart Exporter was also needed to increase export value, and therefore needed to continue its focus on Account Managed companies. As such Smart Exporter was essential to supporting both deepening and broadening export potential of the Scottish company base.

All stakeholders agreed that, without the existence of Smart Exporter, there would be a big gap in Scottish export capability. The gap was demonstrated in a recent SDI presentation which showed the current and future trends in company export. The graphs below shows that alignment between Smart Exporter's target for the number of new companies having the capacity to export, and the GES target, showing that, if successful, the programme will contribute towards over 60% of the national target.



Some comments included:

"Internationalisation is a key strategic priority for Scottish Government and both SE and SDI are tasked with ensuring that both Account Managed and NRM companies are looking beyond local markets."

"Once the current programme funding comes to an end in March there will still be a real need to help companies export – we have helped plug the gap but there is still a way to go to meet the SG targets."

"We need more alignment with HIE areas to help meet the Scottish Government targets. The new European programmes will allow closer alignment."

"Lack of understanding of the ease of internationalisation."

6.3 Programme is performing well and is likely to achieve targets

Stakeholders were in agreement that, since the change in delivery partnership, the programme is perceived to be performing well and is on track to meet all targets. The one-to-one support through the trade advisors was cited as key to achieving the targets, resulting in a significantly increased demand for ongoing support. While events (which comprised a wide range of different activities) were the most frequently used products we note that one-to-one support alongside the international strategy workshops were becoming more frequently used support mechanisms.

There was consensus amongst stakeholders that Smart Exporter is starting to help to build capability in Scottish companies.

Stakeholders stated that there was a lag time in businesses moving into exporting, but believed that the support was encouraging participants to move from awareness through appreciation into action.

They highlighted that the overarching objective of Smart Exporter was to increase capability of companies to be export ready, and they believed that, while this was starting to occur, there was still a long way to go.

Some comments included:

"Have achieved more than originally thought – it brought together a disparate set of projects."

"The programme is well liked by participants, and demand has been high in some areas e.g. Manager for Hire and the 1 to 1 support."

"It is working well and we are getting the volume. We need however to manage the follow on aspects to maximise the impact and move towards exporting."

6.4 Programme design viewed as meeting client needs across individuals and companies

Smart Export volume targets and programme were redesigned following the change in delivery agents. All stakeholders viewed this favourably, seeing it as an opportunity to make the programme work for SE/SDI.

Stakeholders were happy with the product mix, stating it worked well for individuals and companies. They identified no or limited gaps in the current product mix. They highlighted that the addition of the one-to-one support through the trade advisors, as well as their signposting role, had resulted in the programme moving towards achieving its targets. The wider partnerships with the professional and business advice community were viewed as adding further value.

All stakeholders felt that the programme worked well with both Account Managed and Non Relationship Managed (NRM) and, as a result, was achieving the key goal of raising export capability. Delivery and management staff cited various examples showing how companies and individuals had grown and developed and moved along their export journeys.

Some comments included:

"Current product mix is working well and allowing us to meet the needs of a wide range of clients and hit our targets."

"Product suite is very comprehensive, seems to work – no complaints."

"Would benefit from more digital/online presence."

6.5 More needs to be done to ensure fit with equalities agenda

While only a few stakeholders were able to fully comment on this area, all were in agreement that in going forward the Smart Exporter team must conduct an Equality Impact Assessment. From their understanding this had not been done to date. They noted, however, that they did not think that there had yet been any issues around equalities and that the current programme already collects information on race and age.

Some comments included:

"I believe they do gather the majority of equalities data, however I don't think they do anything with this data and do not track some of the areas."

"Would be good to see an equality impact assessment as part of the programme."

We note that no one was able to comment specifically on the economic impact achieved by the programme, sustainable development or low carbon economy.

6.6 Changes in delivery agents viewed as benefitting the programme

As a result of a change in delivery agents within the first 18 months of Smart Exporter, SE/SDI took over the running of the overall programme, extending their focus to volume activity with NRM companies from their initial focus on Account Managed only. While this was regarded as a challenge as it did not form part of the typical remit of these organisations, it was viewed by the majority as an opportunity to shape the programme into something that would achieve targets, while fully meeting the needs of Government and wider SE/SDI targets.

Some comments included:

"The previous partners gave access to wider markets; this left a gap in targeting the volume market when the partnership fell apart."

"SE/SDI taking the leading role has meant they had to move out of their comfort zone to provide support for individuals. They have risen to the challenge well and developed a very comprehensive programme."

6.7 ESF, while challenging, was also seen as benefitting the programme

When the project was in its initial development phase, the delivery partnership viewed ESF as the preferred funding mechanism for two reasons. Firstly there was no export focus within the ERDF priority areas at the time of application and secondly it allowed focus on individuals and volume support which the previous partner had access to.

While stakeholders viewed this initial decision as unavoidable given the circumstances at the time, they also viewed it as a major challenge for current delivery as SE/SDI does not directly have a focus on individuals or volume support. Despite this challenge, the majority of stakeholders believed that the ESF funding had actually benefitted the programme. The noted skills development of multiple individuals in companies, and as a direct result this enable companies to develop their export capability which had the potential to move them through the ACE model.

Some comments included:

"A key issue was around compliance and the need for supporting evidence; the need for completed participation forms to allow for claims was the most problematic."

"SE/SDI no longer focus on skills and development of individual, however having ESF funding meant there had to be a balance of support across individuals and companies."

"While ESF has been challenging, the skills element is a good thing. It is developing individual knowledge export capability which is transferable."

6.8 Partnerships are viewed as working well

Stakeholders stated that Smart Exporter had created an extensive network of partnerships including Business Gateway and wider professional advisor networks including the financial services sector. Stakeholders believed these relationships were working well, especially those with Business Gateway, due to a robust approach to stakeholder management. This is a key role of the Smart Exporter management team and one that has already resulted in referrals to and from Business Gateway and wider partners.

Some comments included:

"There has been a lot of partnership working particularly with Business Gateway. This has been really useful in generating referrals."

"The Smart Exporter team is now working with the banking sector as strategic partners, this provides strong opportunities for synergies given the number of NRM companies with growth potential that come through this route."

6.9 Use of contracting staff to deliver the programme viewed as high risk

Following the change in delivery partnership, SE/SDI took on the role of volume delivery. To resource this, SE/SDI employed contractors to manage operations and deliver the programme. A number of stakeholders felt that having a high number of contractors was very risky, and could negatively impact the programme in the short term if they were to leave, especially as the programme is now into its last year of operation in the current budget. Some stakeholders added that the quality of contractors was excellent and, as a result of them not being SE/SDI employees, they could offer better remunerations and that this had helped attract a higher calibre of individual.

Some comments included:

"The use of contractors could bring continuity issues, especially as the programme moves towards the final confirmed funding period. If the programme is so important and a key target then these people should be employees of SE/SDI."

"Our contractors are our main outreach function – this seems very risky given the importance of exporting."

6.10 ERDF is the expected funding mechanism for future programmes

While stakeholders were generally ambivalent on future funding sources, most thought that ERDF would be the mechanism of choice for SE/SDI due to their focus on supporting companies. However, stakeholders stated that while the use of ESF had been challenging (predominately due to the evidence that needed captured) they highlighted that the ability to focus on individuals had enabled the programme to develop internal export capabilities and competences across multiple levels in the business, and this could be easily translated across the industry as participants moved from one company to another.

6.11 Customer export journey is in its infancy

While the customer export journey was highlighted during our consultations, there was minimal evidence to date to understand in detail how companies and individuals moved through their export journeys.

To date, only a small proportion of companies (and individuals) had received multiple support and as such this made it difficult for stakeholders to fully understand what a 'journey' might look like. Stakeholders believed that, as the programme matured, and tracking mechanisms improved, the journey would become more apparent and could be used for future targeting and in the development of more tailored programmes of support.

Overall understanding of the customer journey was viewed as very important to broadening and deepening export capability. To date, a limited number of case studies have been developed to show specific companies journeys. However, stakeholders were in agreement that more evidence needed to be gathered to improve understanding, including an independent survey of companies.

6.12 Demand for engagement has only reached the tip of the iceberg

Stakeholders were in agreement that there was a large pool of businesses in Scotland who were either unaware of exporting or had chosen not to export. They stated that Smart Exporter had started to dip into these groups with a large proportion of new exporters attending events and availing of the one-to-one support. However, given that there are around 100,000 VAT registered businesses in Scotland, and Smart Exporter has only reached 3,000 of which approximately 1,200 were Account Managed, this suggests that Smart Exporter has only reached the tip of the iceberg.

Some comments included:

"The trade advisors are targeted with getting into new areas and attracting new businesses; to date this has helped keep us ahead of target a focus on the NRM businesses."

"We are really still at the set up phase – still dipping our toes in the water. We have a small team with a big strategic thrust and this will require a big culture change in SE/SDI as we shift towards more NRM companies."

6.13 Mixed views on the effectiveness of the current marketing strategy

The current marketing strategy covers the period 2012-2015 with a phased approach over three years to include:

- Year 1: laying strong foundations to increase ambition, reach and awareness
- Year 2: move from ambition to delivery with a focus on companies with the most potential and sectors that offer the most opportunities
- Year 3: identify a strategy for deepening engagement

While stakeholders agreed that the current strategy is still in its infancy, there was concern across a number of stakeholders as to whether the strategy will be effective going forward.

This concern initially focused on the current marketing database of around 9,000 companies, which stakeholders felt may limit the potential of the programme to reach out to a sufficient number of companies for it to achieve future targets. In addition, while stakeholders agreed that it was important to focus on Account Managed companies with a high potential of exporting (a key target during Year 2 of the marketing strategy), there was a general consensus that NRM companies could be missed.

Stakeholders highlighted that the role of the trade advisor had developed and is driving increased demand amongst NRM companies – this is a key target for them. Given this, NRM companies are likely to form a large part of Smart Exporter in the future and stakeholders agreed that marketing activity must continue to focus on awareness raising to ensure that NRM companies are captured.

Some comments included:

"Campaigns are really successful, these result on over double the enquiries."

"We need to improve our system for target marketing so that existing clients only see things that are relevant to them."

"We need a much improved marketing database – this needs to have many more companies on it to enable us to hit targets in the future and reach out the more NRM companies."

"Awareness raising activities should continue to be a high priority, especially since we will be targeting more NRM companies in the future."

"Penetration across the wider business population is ineffective; currently we don't have the systems to help improve this."

"We will reach a saturation level re the database of companies – so we really need to look to expand this."

"We tried to join campaigns with e.g. Business Gateway, but it didn't work and was confusing for the client."

"We need to do more digital marketing. Companies need to and do use the digital landscape to help them do business and we need to capitalise on this."

"We need to use more online tools – this will be an effective and efficient tool as we need to increase volume activities."

"We need a strategy to reach out to companies who don't believe exporting is the way forward. It's all about marketing and raising awareness."

6.14 Programme is viewed as working well and benefits are starting to emerge

Despite the programme being at an early stage, stakeholders believed that the programme was working well and were able to cite a number of benefits that had emerged:

- participants having access to a single contact point in each area was helping to minimise confusion on who to ask for support
- ability to signpost participants to wider support, including those available in partner organisations. They also noted that a few were now either Account Managed companies or part of the Business Gateway Growth Pipeline
- win-win partnerships with Business Gateway which had resulted in referrals to and from the programme
- participants are able to dip in and out of the programme at various stages – allowing the programme to be flexible with the needs of the business
- the move towards one-to-one support and NRM company targets for trade advisors was gaining momentum and had already resulted in a jump in targets achieved since it started late in 2012

Some comments included:

"We now have a more streamlined, one door approach that makes it easier for new companies accessing support – this is particularly important for non-account managed companies."

"Have developed a certified course which has low targets but is getting people more engaged and giving them a transferable outcome."

"No real negatives about the programme, it is working well."

"We are starting to get examples of companies moving through an export journey and have developed a number of case studies to demonstrate this."

"Feedback around workshops has been good and many companies are sending multiple individuals along as well as attending a range of workshops."

6.15 Improvements were generally around process rather than product development

While stakeholders were comfortable with the product mix, stating it was fit for purpose they highlighted a number of processes that could be improved:

- the need to instigate a formal feedback process, particularly for NRM companies, to help understand the value and impact of the support. Stakeholders noted that this was done to some extent but it was still difficult to extract feedback from the current CRM system as these types of documents were generally attached files
- many stakeholder felt the programme was underutilising digital channels – this was particular highlighted around marketing, but also noted as a potential mechanism to provide clients with online support
- awareness raising activities through wider marketing are being constrained by a database that is insufficient to reach out to the full population of Scottish companies. Most stakeholders felt that a lot of progress had been made here in the last year but there was still more to be done
- stakeholders noted a lack of an export baseline for Account Managed companies, stating that this information was not readily available for all programme participants. We note that the recent evaluation of Account Managed companies suggests that only 45% export and that the SE research team is currently looking at how this links to Smart Exporter
- some stakeholders felt there was a slight bottleneck in the programme at the point where companies required Account Management support to help them further develop the company
- stakeholders felt that more target marketing could be done to ensure that participants were informed on the most applicable support for their needs. Some stakeholders noted that the trade advisors were starting to do this for those participants they had worked with on a one-to-one basis
- the lack of a single system for data capture/monitoring was viewed as inefficient, especially as a lot of manual data cleansing was required

Some comments included:

"We need more on the e-commerce and digital-side – companies now expect things to be available in this format."

"The new SE Digital Strategy will mean the web and marketing teams will need to work together more – this should help encourage more online marketing activities and use of more online resources."

"Enquiry Fulfilment and Research Service (EFRS) do outbound calling in down time/ad hoc basis – would be good to have more of this; will need more of this in the future."

"We previously had 'hubspot' – this was great and provided a number of online guides, however these got buried in all the ESF participation forms."

"Big issue is the CRM system which doesn't require an export level to be completed and therefore we don't know what that is for a lot of companies."

"There seems to be a bottleneck at the Account Managed level – no capacity in SE/SDI to pick up with the programme can bring through."

"The key product development will be around digital to ensure fit with digital strategy and enable us to broaden our reach in target markets."

6.16 Data capture, processing, analysis is too complex

Stakeholders highlighted that the current management and processing of data for analysis presented a major challenge. Stakeholders agreed that having two systems, one for individuals and one for companies, had created inconsistent data that required extra processing for it to be ready for analysis. In addition, stakeholders highlighted that the functionality of the systems used further constrained the level and type of analysis conducted. In the case of individuals using Microsoft Excel 2003 has limited functionality compared to later versions. In the case of companies the CRM may not include the level of detail required for reporting.

Ultimately, stakeholders agreed that the combination of inconsistent data through the two systems and the lack of functionality prevented efficient analysis of the data and drains resources. Stakeholders indicated that the proposed new CRM system may provide real opportunity to integrate systems to improve the way data is managed and processed.

Some comments included:

"The current system of capturing and analysing information is very time consuming and complex due to the need to integrate two databases – this needs to change in going forward."

"Need to record the export level from the start so we can fully chart result of support."

"The CRM system does not support the data capture required to show the real impact of the programme and the journey that companies have gone through."

"We need to really understand what impact the support is having and use this to sell the support to others – people like to hear from those that have already 'got the t-shirt'."

6.17 Overarching agreement on the need for the programme to continue

All stakeholders agreed that the Smart Exporter programme needed to continue. They stated that the low levels of exporting across the Scottish business base and the barriers that participants continued to cite supported this viewpoint. The majority of stakeholders felt that any future programme should still have a focus on individuals **and** companies as this helped build both capacity and capability. Stakeholders agreed that the future funding mechanism would ultimately shape programme structure.

7 Company and Individual Analysis

The following section provides a summary of the analysis of the data sets for individuals and companies up to 14 May 2013.

Our detailed methodology for the analysis of companies and individuals is provided in Appendix 3.

7.1 Company analysis

7.1.1 Unique companies

Analyses of the CRM data identified 2,472 unique companies by May 2013. The majority (64%) were based in the central belt, and a further 13% were based in Aberdeen City and Shire. At a service level, 24% were identified as high potential. However, 46% were unknown. At a segment level, the highest proportion were NRM (41%) and 22% were Account Managed; a further 34% were unknown. Smart Exporter also includes companies identified as 'international projects' – a total of 90 were included in this data set.

Demographic profile of unique companies

Table 7.1

	Number of Unique Companies	% of Unique Companies
Region		
West of Scotland	822	33%
East of Scotland	769	31%
Aberdeen City and Shire	326	13%
Tayside	156	6%
South of Scotland	117	5%
HIE	48	2%
Unknown	234	9%
Total	2472	100
Service Level		
High Potential	604	24%
Non High Potential	726	29%
Unknown	1142	46%
Total	2472	100
Segment		
NRM	1003	41%
AM	545	22%
Other	76	3%
Unknown	848	34%
Total	2472	100

NRM includes - business base, growth advisory service, high value start, company building, potential high value start, growth pipeline, growth prospects and volume starts

AM includes - account managed, corporate Scotland, early stage growth and important to economy

Unknown - data missing/not assigned

Demographic profile of unique companies (cont)

Table 7.1

	Number of Unique Companies	% of Unique Companies
Primary Sector		
Non Sector	823	33%
Food and Drink	274	11%
Energy*	237	10%
ICT and Enabling Technologies	149	6%
Tourism	144	6%
Textiles	127	5%
Creative Industries	97	5%
Construction	89	4%
Life Sciences	84	3%
Education**	73	3%
Financial Services	65	3%
Digital Markets & Enabling Technologies	58	2%
Chemicals	46	1%
Aerospace Defence and Marine	35	1%
Forest Industries	7	0%
Unknown	164	7%
Total	2472	100

* Includes oil and gas and renewables

** Includes further education

7.1.2 Company assists

Between the periods of April 2010 to May 2013, the 2,472 unique companies accessed 4,106 products. The uptake of products by companies has been growing steadily since 2010 and demonstrates a widening support offered by Smart Exporter. Table 7.2 shows the cumulative growth of the top 11 products from 2010 onwards. Cumulative growth of all products is presented in Appendix 4.

Cumulative growth of the top 11 products

Table 7.2

Product	No Date	2010	2011	2012	To May 2013	% of Cos
Events	2	96	474	1115	1254	31%
Smart Exporter International Specialist Engagement				262	592	14%
Export Assessment Tool	2	2	3	361	361	9%
International Strategy Workshop		63	173	312	350	9%
Preparing to Export - Introductory			99	240	290	7%
International Manager for Hire	5	31	75	149	182	4%
Roadshow	16	96	153	153	153	4%
International Strategy Forum			48	105	140	3%
1:1 Helpline support	18	63	105	112	131	3%
Training Introduction	1	1	126	128	128	3%
1:1 Technical support	23	78	115	120	120	3%

Events were the most popular product with companies accessing these on 1254 occasions. International Specialist Engagement was the second most popular products with companies accessing the product on 592 occasions. Having only started in October 2012, International Specialist Engagement offers a deeper level of support to companies on a one-to-one level that can be tailored to suit each company's exporting needs.

The Export Assessment Tool and the International Strategy Workshop were the third and fourth most popular products, with companies having accessed these on 361 and 350 occasions respectively. Alongside Specialist Engagement, the Export Assessment Tool is important in helping to build the export aspirations of companies by providing information on the extent to which they could successfully export their products or services. For this reason it is perhaps no surprise that these are popular product potentially appealing to both companies that are new to exporting or those that have experience but want to explore new markets or sectors.

While Specialist Engagement and Export Assessment Tool are based predominantly around awareness and ambition of companies to export, the popularity of the international strategy workshops suggests that Smart Exporter is also helping companies to develop skills and build the capacity required to start or expand their exporting activity.

Preparing to Export and International Manager for Hire were also popular among companies. These programmes focussed on helping companies to build capacity and provide further evidence that Smart Exporter is achieving its strategic objectives.

While the majority of companies (65%) accessed only one form of support, the remainder accessed two or more as detailed below:

- 875 accessed 2 products – 35%
- 377 accessed 3 products – 15%
- 187 accessed 4 products – 8%
- 83 accessed 5 products – 3.4%
- 45 accessed 6 products – 1.8%
- 22 accessed 7 products – 0.8%
- 16 accessed 8 products – 0.6%
- 10 accessed 9 products – 0.4%
- 7 accessed 10 products – 0.3%

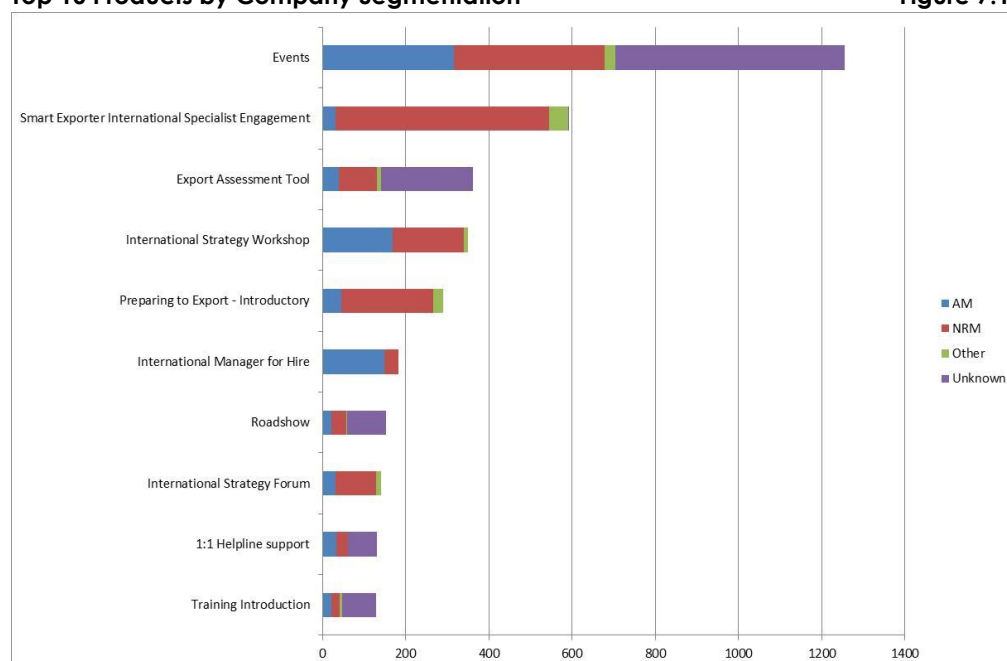
It is important to note that while the majority of companies have to date only accessed one product, a high proportion have accessed this in the last 12 to 18 months i.e. as the programme ramped up its activities through trade advisor support. Given that there is often a lag time from appreciation to action/implementation, this suggests that the proportion accessing more than one support will increase substantially over time.

7.1.3 Company segmentation

Both NRM and AM companies were interested in events, with participation almost equally split between both groups. NRM companies tend to be more interested in International Specialist Engagement representing the majority (87%) of the 592 companies that accessed this product. Preparing to Export was also popular with NRM companies representing over half (61%) of all those that accessed this product. In contrast to this, AM companies were much more interested in the International Manager for Hire representing 81% of all companies that attended the workshop. Both NRM and AM companies were interested in the International Strategy workshop with participation evenly split between both. Figure 7.1 presents the overall results.

Top 10 Products by Company Segmentation

Figure 7.1



7.1.4 Company analysis – company industry sector

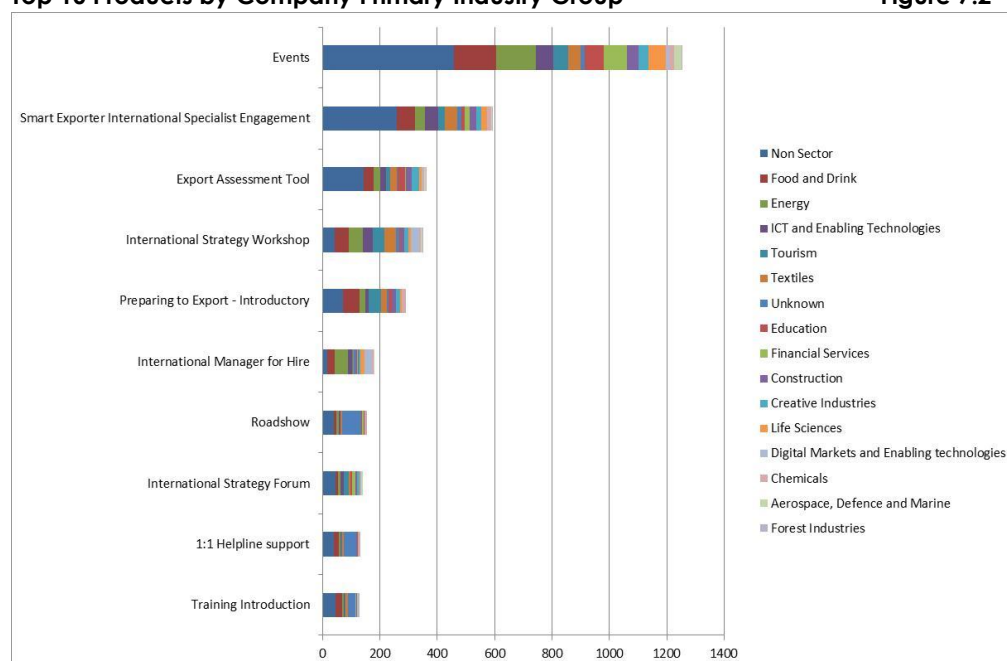
Companies that do not fall within one of the Scottish Enterprise priority sectors ('Non sector') were more interested in Events (37%), International Specialist Engagement (44%), the Export Assessment Tool (39%) and the Preparing to Export Introductory Programme (25%).

The food and drink sector was also most interested in Events representing a further 12% of all companies that attended an event. This group was also interested International Specialist Engagement representing 11% and preparing to Export Introductory representing 19% of all companies that accessed these products.

Those companies falling within the energy sector (including oil and gas and renewables) were also interested in events representing a further 11% of all companies that attended an event. Companies within the energy sector were also more interested in the International Strategy Workshop than any other industry group having accessed this product on 50 occasions. Figure 7.2 shows the top 10 Products by Primary Industry Group.

Top 10 Products by Company Primary Industry Group

Figure 7.2



7.1.5 Company analysis – international projects

A data set of International Project companies that had accessed a Smart Exporter product was provided by SDI. International Projects are focussed on export growth rather than building capacity and capability in the Scottish exporting/potential exporting base.

Analysis of this data set indicated that the 90 unique international projects had accessed 220 Smart Exporter products. Of these, 86 (90%) were classed as high potential and 79 (88%) were AM. Energy was the largest primary industry sector (28%) followed by digital markets and enabling technology (26%).

The most popular product accessed by International Project companies was the International Manager for Hire accessed on 163 occasions followed by the International Strategy Workshop accessed on 32 occasions.

7.2 Individual analysis

7.2.1 Unique individuals

As of May 2013, Smart Exporter has upskilled 3,976 unique individuals. The majority (67%) were male and 63% fall within the 25 to 40 or 41 to 50 age category. The vast majority of individuals were white (88%) and 74% have a level 4 qualification or higher.

Almost all individuals (97%) were employed, 74% within a company with 23% self-employed. 72% of individuals were employed in SME's, 43% in micro businesses of 10 and under. 60% of individuals were employed within one of the Scottish Enterprise priority sectors. These groups were reasonably distributed across the sectors, with food and drink being slightly higher than others. Table 7.3 presents an overview of the key demographic information provided by individual.

Demographic information by individuals

Table 7.3

	Number of Unique Individuals	% of Unique Individuals
Gender		
Female	1320	33%
Male	2655	67%
Not Answered	1	0%
Total	3976	100%
Age		
65+	98	2%
55 to 64	482	12%
51 to 54	444	11%
41 to 50	1161	29%
25 to 40	1336	34%
20 to 24	190	5%
18 to 19	12	0%
Not Answered	253	6%
Total	3976	100%
Type of Employment		
Employed	2949	74%
Self-Employed	917	23%
Other	98	2%
Not Answered	12	0%
Total	3976	100%
Ethnicity		
White (Scottish)	2718	68%
White (English)	434	11%
White (Other)	287	7%
Not Declared	200	5%
White (Irish)	63	2%
Asian (Chinese)	62	2%
Asian (Indian)	42	1%
Black (African)	41	1%
Other Ethnic background	34	1%
Asian (Other)	27	1%
Mixed Background	20	1%
White (Welsh)	16	0%
Asian (Pakistan)	16	0%
Black (Other)	9	0%
Black (Caribbean)	4	0%
Asian (Bangladesh)	3	0%
Total	3976	100%

Qualifications		
Level 6	903	23%
Level 5	1611	41%
Level 4	406	10%
Level 3	328	8%
Level 2	148	4%
Level 1	46	1%
No Qualifications	133	3%
Not Answered	401	10%
Total	3976	100%
Primary Sector		
Non Sector	1212	30%
Food and Drink	427	11%
Energy - Oil and Gas	366	9%
Not Answered	359	9%
DMET - ICT and Enabling Technologies	278	7%
Tourism	222	6%
Textiles	217	5%
DMET - Creative Industries	146	4%
Life Sciences	143	4%
Education	133	3%
Financial Services	131	3%
Construction	122	3%
Aerospace Defence and Marine	84	2%
Energy - Renewables and Low Carbon	75	2%
Chemicals	54	1%
Forest Industries	7	0%
Total	3976	100%
Company Size		
250+	324	8%
51 to 250	507	13%
11 to 50	650	16%
1 to 10	1700	43%
0	23	1%
Not Answered	772	19%
Total	3976	100%

Appendix 5 contains further detail on the qualification levels.

7.2.2 Individual assists

Between April 2010 and May 2013, the 3,976 unique Individuals accessed 5,291 products. The uptake of products has been growing steadily since the start of Smart Exporter and demonstrates a widening level of support from 719 products accessed by individuals in 2010 to 5,291 products accessed by individuals in 2013. Table 7.4 shows the cumulative growth of the top 10 products. Appendix 6 shows the full list of products and their cumulative growth.

Cumulative Growth of the Top 10 Products

Table 7.4

Product	2010	2011	2012	2013	% of Individuals
Events	110	544	1550	1825	34%
International Strategy Workshop - All	92	320	683	797	15%
Specialist Export Engagement			155	437	8%
Export Assessment Tool		1	405	405	8%
Roadshow	228	320	320	320	6%
International Manager For Hire	27	93	187	194	4%
International Strategy Forum		60	142	187	4%
Introductory training modules		177	179	179	3%
Helpline support	92	161	161	161	3%
1:1 technical support	101	156	161	161	3%

Events are the most popular products accessed by individuals on 1825 occasions. The International Strategy Workshop and the Specialist Export Engagement were the second and third most popular products with individuals accessing these on 797 and 437 occasions respectively.

Again, the popularity of the same products highlighted in the company analysis helps to demonstrate that Smart Exporter is helping to build aspirations and capacity of those that participate by providing a broad and in the case of the Specialist Engagement programme a deepened level of support.

Roadshows appear to be more popular with individuals than companies and again shows that the products focused on building awareness and aspiration are key to the programme, providing further evidence that the Smart Exporter Programme is working to its key guiding aims.

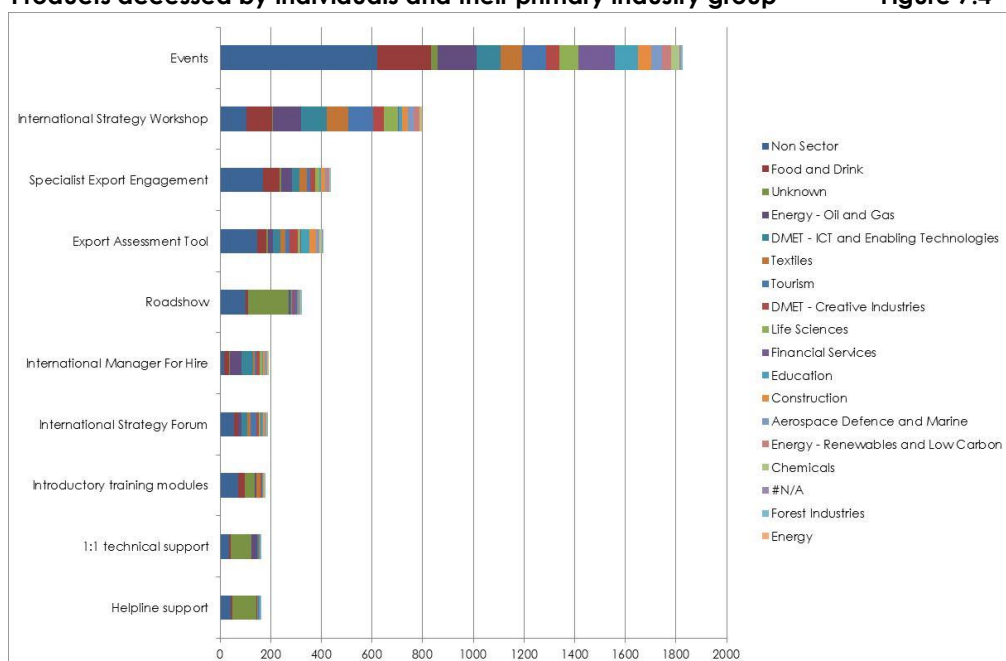
While the majority (86%) of individuals accessed one product, one individual accessed 12 products. In summary:

- 564 accessed 2 products (14.2%)
- 540 accessed 3 products (13.6%)
- 284 accessed 4 products (7.1%)
- 125 accessed 5 products (3.1%)

'Non sector' are more interested in events (46%), the Specialist Export Engagement Programme (39%), and the Export Assessment Tool (37%). Uptake of the International Strategy Workshop is evenly split across energy, 'non sector', ICT and enabling technologies, tourism and food and drink with these industry groups representing 65% of all individuals. Roadshows, one-to-one Technical Support and Helpline support are accessed by more individuals who are 'non-sector'. Figure 7.4 shows the breakdown of products accessed by individuals and their primary industry group.

Products accessed by individuals and their primary industry group

Figure 7.4

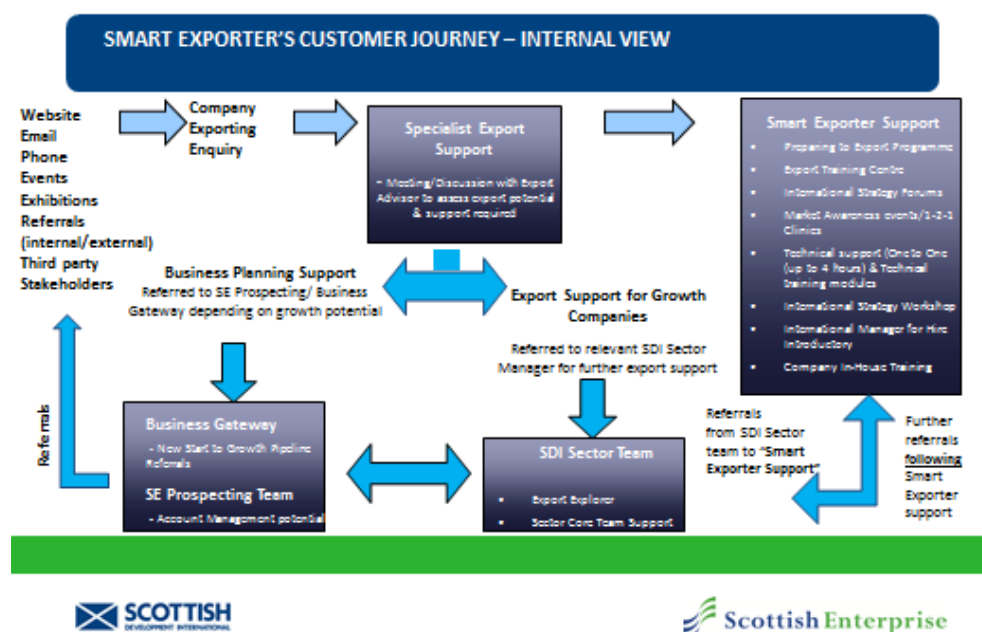


7.3 Company journey

As part of our data analysis we tried to explore the journey of companies who accessed multiple products. Our approach was based on looking at analysing the top three entry points and tracking the next steps (again using the top three products accessed). The diagram below presents a schematic of the Company Journey as developed by SDI.

Smart exporter's customer journey

Figure 7.4



7.3.1 First product

Companies typically start their journey by accessing an Event, the International Specialist Engagement, or the Export Assessment Tool. Table 7.5 shows the spread of the products first accessed by companies.

Top 10 products first accessed by companies

Table 7.5

Product	No of Companies	% of Companies
Events	687	28%
Smart Exporter International Specialist Engagement	419	17%
Export Assessment Tool	280	11%
International Strategy Workshop	257	10%
Preparing to Export - Introductory	164	7%
Roadshow	115	5%
International Manager for Hire	90	4%
International Strategy Forum	84	3%
1:1 Helpline support	81	3%
1:1 Technical support	76	3%

Almost two thirds (65%) of companies do not access any further Smart Exporter products but may have accessed other SE support. Of those that do, Events are also the second and third most popular product. This suggests that companies are looking for a broad range of information on markets and locations.

7.3.2 Second product

Of the 687 companies that first attended an event, 267 (39%) accessed a second product. 137 (51%) attended another event and 26 (26%) accessed the Export Assessment Tool. The majority (61%) of the original 687 companies did not access any other products.

Of the 419 companies that first attended the International Specialist Engagement programme, 101 (24%) accessed a second product. 35 (35%) attended the Preparing to Export Introduction and 26 (26%) revisited the International Specialist Engagement programme. The majority (76%) of the original 419 companies did not access any other products.

Of the 280 companies that first accessed the Export Assessment Tool, 70 (25%) companies accessed a second product. 19 (27%) attended an event and 17 (24%) accessed the International Specialist Engagement Three quarters (75%) of the original 280 companies did not access any other products.

Table 7.6 shows the breakdown of the second product accessed by companies by the top three products first accessed.

Second product accessed by companies by the top three products first accessed

Table 7.6

1: Events	No of Companies	% of Companies
No further products accessed	420	61%
Events	137	51%
Export Assessment Tool	26	10%
Smart Exporter International Specialist Engagement	24	9%
Preparing to Export - Introductory	19	7%
International Strategy Workshop	17	6%
2: Smart Exporter International Specialist Engagement	No of Companies	% of Companies
No further products accessed	318	76%
Preparing to Export - Introductory	35	35%
International Specialist Engagement	26	26%
EFRS Research	6	6%
E-Commerce Module	5	5%
3: Export Assessment Tool	No of Companies	% of Companies
No further products accessed	210	75%
International Specialist Engagement	17	24%
Preparing To Export - Online	15	21%
Preparing to Export - Introductory	10	14%
Gulf Market Growth Tour	3	4%
International Strategy Workshop	3	4%

Note: Only the top products accessed as a second product are presented in the table above

7.3.3 Third product

Of the 687 companies that first attended an event, 117 (17%) accessed a third product. 63 (54%) attended another event, 10 (9%) attended the International Specialist Engagement and 8 (7%) accessed the International Manager for Hire.

Of the 419 companies that first accessed the International Specialist Engagement, 29 (8%) accessed a third product. 8 (28%) attended the Introductory Preparing to Export programme, and the International Specialist Engagement, Events and the International Strategy Forum were attended by a further 5 (17%) each.

Of the 280 companies that first attended the Export Assessment Tool 25 (9%) accessed a third product. 9 (36%) attended another event, and 6 (24%) the International Specialist Engagement. The Introductory Preparing to Export programme, the Introductory International Manager and the International Strategy Workshop were attended by a further 2 (8%) each.

Table 7.7 shows the breakdown of the third product accessed by companies by the top 3 products first accessed.

Third product accessed by companies by the top three products first accessed

Table 7.7

1: Events	No of Companies	% of Companies
No Further Products Accessed	570	83%
Events	63	54%
Smart Exporter International Specialist Engagement	10	9%
International Manager for Hire	8	7%
International Strategy Workshop	7	6%
2: Smart Exporter International Specialist Engagement	No of Companies	% of Companies
No Further Products Accessed	390	93%
Preparing to Export - Introductory	8	28%
Smart Exporter International Specialist Engagement	5	17%
Events	5	17%
International Strategy Forum	5	17%
3: Export Assessment Tool	No of Companies	% of Companies
No Further Products Accessed	255	91%
Events	9	36%
Smart Exporter International Specialist Engagement	6	24%
Preparing to Export - Introductory	2	8%
International Manager - Introductory	2	8%
International Strategy Workshop	2	8%

Note: Only the top products accessed as a third product are presented in the table above

The range of companies moving from International Specialist Engagement and the Export Assessment Tool to Preparing to Export and back to Specialist Engagement Programme suggests that these companies are either starting or at the early stages of their export journey i.e. they are accessing products aimed at building awareness and ambition. During these early stages companies are receiving one to one support through the Specialist Engagement programme while exploring and developing knowledge and skills in their key areas before progressing onto more specialist Smart Exporter products.

The path taken by companies through the International Strategy Workshop to International Manager for Hire suggests that these companies have more experience in exporting or are further along their export journey and therefore have more specialist needs as these products are aimed at planning and growing your export market.

7.4 SDI case studies

While the data provided a high level overview of the initial path taken by companies, it does not provide the story surrounding this journey. SDI has developed company journey case studies to provide more detail on a sample of journeys from initial engagement.

The case studies highlight that companies are being signposted to the Smart Exporter programme by other agencies such as UKTI or Business Gateway and via the website. We note that more recent research conducted by SDI indicates that the majority of enquiries about Smart Exporter are now coming via email. Companies initially have a consultation with a trade advisor who provides information and signposts the company on to the most appropriate Smart Exporter product for their needs. For many companies their starting point is a Market Awareness event or the Preparing to Export programme before they are referred on to other appropriate Smart Exporter or SE/SDI products or partners, such as Business Gateway or UKTI.

While companies in the case studies are accessing a range of products from Market Awareness events to the Preparing to Export course and Technical Support, it is evident that this journey does not follow a particular path or timeline. For many this journey takes over a year as they explore and develop their exporting capabilities, accessing those Smart Exporter (and wider) products most appropriate to their needs as they learn more about their key export markets.

The company journey in the case studies also link with the customer journey schematic (Figure 7.4) in that following submission an export enquiry and receive early advice via specialist export support they are then signposted onto relevant Smart Exporter (or wider) support.

We suggest that future case studies will show a slightly different company journey, starting with an Event which is now the most frequently accessed first product. A key driver here will be the higher proportion of NRM companies that will be coming through the programme, most of which will have limited previous export experience.

8 Company Perspectives

31 feedback reports covering 329 participants were analysed from a sample of Smart Exporter workshops. Each feedback report contained a summary of the product outputs prepared by the delivery consultants as well as individual feedback forms. Our analysis is drawn from both elements.

We note that further information provided in the reports was not analysed as this was written by the delivery consultants and we did not interview them during the review.

8.1 Satisfaction with programme

Satisfaction levels were analysed across these reports and aggregated to get an overall level of satisfaction. From our review of the evidence, participants were very satisfied with the workshops they attended across both content and format. In general negative feedback focussed on the venue and timings of the event. The figures below shows average satisfaction levels on a scale of 1-5, where 5 represents 'very satisfied', 4-'satisfied', 3-'neither satisfied nor dissatisfied', 2-'dissatisfied' and 1-'very dissatisfied'.

Satisfaction with the programme

Table 8.1

Programme	Average Satisfaction	Content	Format
E-Commerce	4.5	4.4	4.3
Preparing to Export Introductory	4.81	4.79	4.67
Preparing to Export Intermediate	4.59	4.49	4.54
Preparing to Export Advanced	4.26	4.1	4.17

8.2 Benefits

Participants identified a number of benefits from attending the above workshops. The top five recurring benefits identified on more than five instances included:

- better understanding of exporting and what is required
- better understanding of how to research target markets
- better understanding of how to protect company e.g. legal issues
- good information to help build business/export plan
- more prepared to export

This suggests that the programme has made a contribution to the imperfect information market failure, leading to increased export preparedness, thereby potentially leading to an increase in export volumes and addressing the externality market failure.

Participants generally felt that they had gained better understanding of exporting and what is required. This was particularly the case in areas such as conducting appropriate market research and protecting themselves in legal matters. Some stated that they now had sufficient information in order to build their business/export plans and were more prepared to export. These benefits highlight the impact of Smart Exporter in helping to build the aspirations and capacity of individuals and companies equipping them with the skills and training to needed to start or build their exporting activity. Key comments included:

"Feel much better prepared to export my business as the information was very useful."

"I got lots of information that was useful to my future business plan."

"Have a clearer idea on how to do market research and approach new markets."

"It helped me to understand what issues I needed to address to protect myself."

"The export process does not seem as complex and scary now. Feel confident that if we do our research properly exporting is a real possibility."

8.3 Export plans

The majority of participants had developed or started to develop an export action plan as part of their attendance on the workshops. Participants identified a number of themes including: (each theme was highlighted on more than 10 occasions)

- already know target markets
- to be actively selling in target markets in 1-3 years
- already exporting
- conduct market research
- increase sales in existing markets
- identify partners
- develop plans

It was clear from the action plans that the majority already had an idea of their target markets with many indicating the locations of interest. Participants highlighted that they were keen to be actively selling in these markets within 3 years and some also indicated that they were already exporting and were looking to consolidate or further develop their approach to increase sales.

Many felt that more market research was required in order for them to understand the markets of interest and that further planning and the identification of partners was required before they could begin to export. Key comments include:

"Aiming to be actively selling in the US markets in the next 2 to 3 years as a direct result."

"Plan to increase turnover by £450,000 in next 2 years and export a least 15%."

"Company has prioritised markets and are now looking to partner with distributors and suppliers as their route to market entry."

"Found the programme very useful in highlighting the areas we needed to give further consideration to – costing, pricing, product adaptation to ensure fit with target export market."

Company currently exporting on small scale, plans to use support to help develop export business further."

9 Impact

The SDI approval paper outlines the potential economic impacts to be achieved by the Smart Exporter programme based on forecast additional sales by companies supported:

- £18m net additional GVA by Year 3
- £40m net additional GVA by Year 6

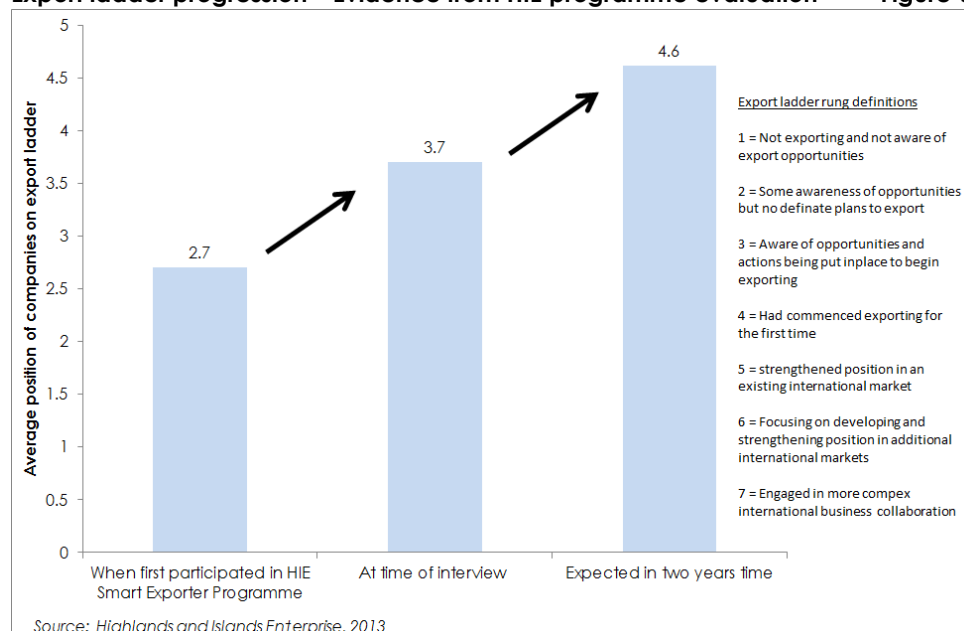
In terms of assessing GVA there are a number of potential ways of measuring whether this has been achieved:

- Tracking each company's turnover, employment and export levels before taking up support, immediately after taking up support and at some point in the future, factoring in other support received, and attributing change to Smart Exporter support specifically. *However, we do not have this data and are unlikely to without specific retrospective completion of this information on the CRM system.*
- Asking companies via a survey to tell us about changes to their turnover and employment levels, asking them to attribute this change to Smart Exporter support, then grossing up results to arrive at a figure for the population of supported companies. *We currently do not have this data and would have to survey companies to get this data. This could be delivered as part of a wider survey of companies assisted by SDI scheduled for 2015.*
- Analysing evidence already held on projected change in company export revenue held on CRM. *Our review of the data highlighted that this has not been explicitly captured for the majority of companies and therefore a robust proxy could not be created.*

While evidence to understand the economic impact for SE/SDI Smart Exporter programme is currently not available we have reviewed the impact assessment of its sister programme in HIE. Evidence from their evaluation shows that programmes of this nature can make a difference to the export competencies of businesses (Figure 9.1) though there can be a two year time lag before impact is realised.

The economic impact was based on a very small sample (i.e. 9 companies from the 25 surveyed) and as such we suggest that this is insufficient to make a complete assessment.

Export ladder progression – Evidence from HIE programme evaluation **Figure 9.1**



10 Conclusions and Recommendations

10.1 The programme is meeting its strategic objectives

The Smart Exporter programme has been well received by participants, and take up levels have been high. It has achieved its target of 3,500 unique company assists and is close to achieving its other targets.

At each stage of the programme, from the introductory course to the advanced course, those participants have given the workshops satisfaction scores on average of between 4/5 and 5/5 for the content and format indicating that they are either satisfied or very satisfied with the programme in all areas. This suggests that the programme is on track to meet its strategic objective of "Increasing the skills and expertise of companies and individuals".

The most popular products for both companies and individuals are the Events, International Specialist Engagement programme, Preparing to Export and International Strategy Workshops. The popularity of these products demonstrates that the Smart Exporter programme is working to its guiding principles of helping to raise awareness, build aspirations and export capacity. The rate of uptake of the products by both companies and individuals demonstrates the widening level of support provided by the Smart Exporter Programme since its inception in 2010.

10.2 Market failure barriers are starting to be overcome but there is still a lot of work to do

The research has illustrated that there is a clear market failure rationale for public intervention in export support mainly based around the principle of imperfect information and that this market failure still exists.

Evidence from this review has shown that Smart Exporter has started to help participants improve their understanding of:

- exporting and what is required
- how to reach target markets
- how to protect the company (e.g. legal issues)
- information to help build business/export plan

Together these had made them more prepared to export. This confirms the theoretical market failures discussed in section 3.3 are indeed the market failures experienced by Scottish companies. Therefore, there is evidence of market failures starting to be addressed. However, the review did not allow conclusions to be drawn on the extent that market failures may still exist within companies already supported, the barriers faced by companies in progressing their export plans or the scale and extent of the market failures in the wider Scottish business base.

Evidence from a recent evaluation of the comparable programme in Highlands and Islands suggests that companies were experiencing positive changes towards exporting at each stage of the export journey, with significant progress achieved already, and significant further progress anticipated over the next two years.

While progress has been made, the targets set out by Scottish Government requires more to be done to improve Scotland's export potential.

Recommendation

The Smart Exporter Programme should continue to be supported by SE/SDI. Further analysis to gain a deeper understanding of the market failures of the companies already supported and of the wider business base should be considered.

10.3 Smart Exporter product mix is effective and fit for purpose

While we did not consult directly with companies, we spoke to a number of stakeholders and reviewed feedback on a range of the well-attended workshops. Overall there was a high level of satisfaction (around both content and format) with the workshops. In addition a high proportion of companies (35%) are receiving more than one product and many are returning for three or more as they move through their export journey. Stakeholders also stated that they had few issues with the product mix, highlighting that the change in the delivery partners had allowed them to develop the programme to more closely align with the needs of the customer. However, it was suggested that there could be potential to widen the product mix to include refining the design of delivery and measurement of effectiveness relating to exporting/international trade of complementary products and services delivered by other directorates in SE such as e-commerce, new product development, sales and marketing (particularly the use of digital channels for marketing and sales), Investment Readiness support and Scottish Investment Bank funding.

The one-to-one support provided through the International Specialist Engagement service was already showing lots of uptake since its inception in Q3 of 2012. This evidence suggests that Smart Exporter has a good mix of products that are encouraging companies to start and develop their export journeys.

Smart Exporter is currently match funded by ESF. This is not the normal funding mechanism used by SE/SDI who tend to focus on ERDF which has better alignment with company support. As a result of being ESF funded the programme required to focus on both individuals and companies and was developed to meet the needs of both. In future it is likely that the programme funding mechanism will shift towards ERDF and as such there will be less (no) requirement to measure skills development in individuals. Our view is that while this may simplify the data capture it will not impact greatly on the current design and overall product mix which stakeholders felt was generally fine.

Recommendation

The Smart Exporter product mix should continue with its current product portfolio with an aim to ensure fit with any future funding mechanism. Online mechanisms should be more fully utilised in any future products. The programme should also ensure it links effectively with wider SE support including innovation, investor readiness and investment that could help companies better exploit international opportunities.

10.4 Smart Exporter offers effective support which is flexible to meet customer need

Smart Exporter offers a range of support mechanisms to encourage participants to move from awareness through to appreciation while building their capability to export. While the evidence is still at an early stage, companies that receive multiple support appear to be following a journey through Smart Exporter which aligns well with the Customer Journey diagram (Figure 7.4). The programme also recognises that there is no 'one size fits all' approach to export readiness, and is therefore flexible enough to meet the needs of participants who want to 'dip in and out' to develop skills or explore new markets.

Recommendation

The Smart Exporter team should continue to develop case studies to demonstrate the customer journey.

The Smart Exporter team should look to the new CRM system to further explore the data and understand the journey that companies go through as well as use this to inform future target marketing.

10.5 Data processes need improvement

Data relating to Smart Exporter is complex; largely because two separate systems are used. The merging of the two systems is hugely time consuming and difficult, and data was found to often be inconsistent and in some cases duplicated.

The combination of inconsistent data and the use of systems with lower levels of functionality prevent efficient processing and constrain the level and type of analysis that can be conducted creating a drain on resources.

While it appears that appropriate measures are in place to capture the information on those that interact with the Smart Exporter, the lack of an export baseline makes it difficult to understand a company's journey to or through the various stages of exporting. This could pose potential problems for future evaluations of the programme as the lack of a baseline makes it difficult to establish the overall impact of Smart Exporter on helping companies to internationalise.

Recommendation

A programme the size and complexity of Smart Exporter requires a dedicated resource to help track the company journey through the efficient data management processing and data analysis.

Underpinning this is the requirement for an improved and streamlined system for capturing, monitoring and analysing the data. This should involve development of more outcome focussed measures including capturing an export baseline which will help measure to what extent Smart Exporter has helped a company move from being a non-exporter to an exporter.

The capture of an export baseline would also allow companies to be tracked through their exporting journey providing more outcomes focussed measures that will help SE/SDI to establish the overall impact of the Smart Exporter on helping companies to export, an important aspect of this being able to track if and how the programme has helped a company move from being a non exporter to an exporter

10.6 Future marketing activities require continued emphasis on awareness raising and need more robust targeting

Given that the number of NRM companies will increase as a proportion of the total supported companies, the marketing strategy will need to have a continued emphasis on activities to attract and engage NRM companies. In our review of the current marketing strategy, which is moving into year two, the emphasis is towards a greater focus on companies who are already exporting. While this is necessary to meet the value targets set by Scottish Government, we believe that it could be detrimental to helping Smart Exporter contribute to achieving the overall target of 8,000 to 10,000 businesses starting to export by 2015.

Aligned with the current marketing strategy, the team had to create a new company database. This database has 9,000 companies and is supported by a wider active social network of around 10,000 LinkedIn participants. Given the need to target more NRM companies in the future we believe that a significant effort is needed to increase the number of companies/members on these marketing tools. This will help with future awareness raising activities.

We note that trade advisors are targeted with attracting a significant number of new participants to Smart Exporter and as such they actively conduct their own outreach and marketing activities. They also conduct some targeted marketing for existing participants as well as those likely to participate in the future. However, from our understanding there is limited formal target marketing.

We believe that the current systems for capturing company and individual data are insufficient to easily allow targeted marketing activities and that this has been a limiting factor.

Recommendation

To help meet the volume targets it will be necessary for a significant proportion of marketing activity to continue to focus on engagement and awareness raising with an aim of encouraging more of the 100,000 plus VAT registered businesses in Scotland to understanding the benefits and develop the skills to make their business international. To do this, the current marketing database must be significantly increased to ensure that Smart Exporter has the maximum chance to support the achievement of future Scottish Government export targets.

To ensure that companies are fully engaged and moving along their export journey from appreciation to action/implementation, Smart Exporter requires a formalised approach to target marketing.

Future marketing activities require continued emphasis on awareness raising and need more robust targeting. Marketing activities should explore the potential of different activities including digital channels. The new SE Digital Strategy will be a useful positioning document. Further analysis to better understand the size of the market and the pool of companies with export potential should be considered.

10.7 Ability to measure economic returns will need primary research

As companies use the support to move along their export journey towards export sales and employment growth, this will undoubtedly lead to economic returns. The programme approval paper outlines the potential economic impacts that could be achieved by the Smart Exporter programme based on forecast additional sales by companies supported:

- £18m net additional GVA by Year 3
- £40m net additional GVA by Year 6

While there are a number of ways to assess GVA (as detailed in Section 9) the current mechanisms for data capture and the lack of primary research mean that we do not have sufficient information to calculate GVA.

We note that there is a time lag from starting the export journey to achieving first export sales and as such it will take time for companies to see impact on their bottom line; however, they can forecast exports and GVA can be calculated based on this.

Recommendation

To assess GVA SE/SDI should undertake a survey of a sample of companies, possibly as part of the wider survey of companies assisted by SDI scheduled for 2015. The survey should focus on companies that accessed support in the early stages of the programme thereby allowing them to be closer to or achieving returns and companies that have accessed multiple supports.

10.8 More needs to be done to ensure fit with equalities agenda

Smart Exporter has a focus on both individuals and companies and as a requirement of ESF and SE policy, it needs to demonstrate that there is no negative impact on equality. As it currently stands, while we believe there are no issues with equality, to ensure fit with SE/SDI policy an Equality Impact Assessment should have been conducted at a programme level.

Recommendation

The Smart Exporter team should develop an Equality Impact Assessment. This should build on the current information collected around gender, race and age to include disability, religion/belief and sexual orientation. Consideration should be given during the assessment to extend to other protected characteristics such as religion/belief and sexual orientation, where practical and proportionate.

10.9 SE/SDI need to review how they are resourcing the programme in the future

In the current programme SE/SDI employs contractors to manage operations and deliver the programme with only one fully funded member of the core team. We have concerns that having a high number of contractors is very risky and could negatively impact the programme in both the short and long term. For example, as the programme nears its completion there is a chance that key staff could leave to find new jobs. The variety of contractors could also lead to a risk of inconsistencies in delivery between different areas and different contractors.

Recommendation

SE/SDI should look at how they resource the programme in the future and to retain a high level of staff continuity as the programme develops.

10.10 A range of process improvements will help maximise the effectiveness of the programme

The following improvements would be beneficial to the programme:

- instigation of a formal feedback process to help understand the value and impact of the support – this should be integrated into workshop feedback as well as recorded during one-to-one support
- awareness raising activities through wider marketing are being constrained by a database that is insufficient to reach out to the full population of Scottish companies – there is a need to increase the number of contacts on the database. This may be through the purchase of company lists that can be cleansed internally or through resources such as the Enquiry Fulfilment and Research Service (EFRS)
- the lack of an export baseline for a high proportion of participants has meant that we were unable to show the impact that Smart Exporter has had on attracting participants that are non-exporters. It will be essential to understand this as the programme develops and an export baseline should be viewed as a crucial metric for everyone involved in the programme

Frontline

January 2014

Stakeholder Consultees

Stakeholders consulted during the process

Sheila Perry – Scottish Enterprise (Steering Group)
Eric Simpson – Scottish Development International (Steering Group)
Carl Gardiner – Scottish Development International (Steering Group)
Jane Martin – Scottish Enterprise
Ruth Sime – Highlands and Island Enterprise
Jonathan Slow – Scottish Development International (Steering Group)
Ian Brown – Scottish Enterprise (Steering Group)
David McPhee – Scottish Government
Siobhan McDermitt – Scottish Enterprise
Carol Beattie – Scottish Enterprise
Liz Gribben – Scottish Enterprise
Danny Cowe – Scottish Development International (Steering Group)
Robert Rodden – Scottish Development International (Steering Group)
Kirsteen Higgins – Scottish Development International
Scott Reid Skinner – Scottish Enterprise
Steve Turner – Trade Advisor
Steven Mitchell – Trade Advisor
Smart Misoni – Trade Advisor
Neil Fraser – Trade Advisor
Isabelle Henderson – Trade Advisor
Carrienne Hall – Scottish Enterprise (Steering Group)
Stephen Frew – Scottish Enterprise (Steering Group deputised for Carrienne)
Anubhav Mittal – Scottish Enterprise (Steering Group deputised for Carrienne)

Smart Exporter Product List

International Specialist Engagement (“Export advisers”)

One to one specialist support provided by export advisers.

Export Assessment Tool

An online tool to help companies start or progress their exporting journey.

Preparing to Export

The Preparing to Export programme supports companies to develop their key skills in a range of international business activities, equipping them with the knowledge to operate internationally. The programme is modular with 3 levels: Introductory, Intermediate and Advanced.

International Strategy Workshop

The International Strategy Workshop allows senior management teams time away from the business to addresses international issues and opportunities and is aimed at companies with little or no experience in international trading.

International Strategy Forum

The international strategy forums are delivered to a group of managers from a selection of companies and highlight the importance of international strategy.

International Manager for Hire

The International Business Manager for Hire is used to engage an experienced international business development resource for a limited period or for specific project in order to accelerate/develop international market development.

Preparing for International Growth

Preparing for International Growth assists companies who may already be trading internationally to prepare for enhancement and augmentation of their international business.

In-House Training

Specialist support for a company to tackle a specific and often complex aspect of internationalisation.

Roadshows/events

Events cover a range of topics ranging from general exporting awareness theme to those with a specific focus on particular geographies, markets or industries.

E-Commerce workshop

Workshops to develop e-commerce activities including website development to boost international sales.

1:1 Helpline Support

Exporting support delivered via a telephone helpline.

1:1 Email Support

Exporting support delivered via email.

Technical Support

Telephone and email support on technical export issues. More complex technical issues may be supported face to face by a specialist adviser.

**Company and Individual
Analysis Methodology**

Company analysis – Methodology

A pivot table extract of 9,038 entries from the CRM/IPM database provided the raw data from which further analysis was based.

The raw data supplied contained information relating to companies held on the CRM database and companies held on the IPM database. Due to the complexity in the way the data was recorded some early cleaning and sorting was required, this included:

- ensuring each row of company information started in column 1
- sorting data by company from A to Z
- formatting dates appropriately
- combining the product and event columns to provide a full list of products accessed

On completion of the above, a new pivot table based on the 9038 entries was built. This pivot table distilled the company information by product, and the dates products were delivered. Data from the pivot table was then extracted into an excel worksheet forming a new database of company and product information. Data within the company product database was further cleaned to ensure that:

- spelling of the regions was consistent
- spelling of the primary sector was consistent
- products accessed were typed in full and were consistent
- segmentation was typed in full and was consistent

At this stage, data was copied into a new worksheet and duplicates were highlighted and removed to create a unique company database. Each unique company was assigned a unique identification number ready for analysis.

Companies within the company product database were then matched to its unique identification number from the unique company database and were further sorted by date ready for analysis.

Further sorting was conducted to produce a company journey database. To do this the products accessed by each company were reorganised from rows to columns so that the products accessed could be viewed in date order from oldest to newest.

The outputs of this methodology resulted in:

- a unique company database
- a database of products accessed by companies
- a company journey database

From these databases the following analyses were completed:

- unique companies by:
 - region
 - primary sector
 - segmentation
 - product and year
- products by:
 - most popular
 - second most popular
 - third most popular
 - primary industry group
 - segmentation
 - year

Individual analysis – Methodology

A new database of individuals was built by extracting the raw data from the all individuals' tab of the IPM database into a new excel workbook. The data was cleaned to ensure that spellings and formats were consistent and that company names were consistent with those in the company database.

To build the database of unique individuals, data was first sorted by email address, and then the surname, forename and email address for each entry were combined into one cell. Duplicates were then highlighted and reviewed against the surname and forename of the individual and deleted where appropriate. A unique identification number was then assigned to each individual ready for analysis.

From the IPM information, an individual product database was also produced. Using the cleaned and formatted data from the above process the unique identification number assigned to each individual was then matched to each product record.

The outputs of this methodology resulted in:

- a unique individual database
- a database of products accessed by individuals

From these databases the following analyses were completed:

- unique individuals by:
 - gender
 - age
 - ethnicity
 - region
 - qualifications
 - primary industry group
 - employment status
 - company size
- products by
 - most popular
 - per individual
 - year
 - primary industry group

Cumulative Growth of All Products for Companies

Products	No date	2010	2011	2012	2013	Total
Events	3	103	388	613	147	1254
Smart Exporter International Specialist Engagement		4	9	257	322	592
Export Assessment Tool	3	3	13	334	8	361
International Strategy Workshop	2	60	99	146	43	350
Preparing to Export - Introductory	2	4	90	145	49	290
International Manager for Hire	6	27	49	71	29	182
Roadshow	12	69	56	13	3	153
International Strategy Forum		2	47	60	31	140
1:1 Helpline support	23	38	42	10	18	131
Training Introduction	3	8	106	8	3	128
1:1 Technical support	13	51	44	9	3	120
Preparing to Export - Intermediate		12	28	24	11	75
1:1 E-mail support	6	22	18	2	1	49
Preparing for International Growth - Advance		3	19	13	5	40
Smart Exporter E-Commerce Module		2	1	2	34	39
Company In House Training		2	2	19	9	32
Preparing To Export - Online	13		1	17		31
Group Strategy Strategy Insight - ecommerce			23	3	1	27
International Manager - Introductory	5	1	2	11	4	23
EFRS Research				12	9	21
Smart Exporter Technical Services	1			5	14	20
Talent Scotland Graduate Placement	1		3	7	7	18
In-house Training	1		10	2	3	16
Smart Exporter Technical Module		1	3	1	9	14
Total	94	412	1053	1784	763	4106

Qualifications Levels

Smart Exporter participants' qualifications levels are assessed using the International Standard Classification of Education (ISCED) and mapped on to the Scottish Credit and Qualifications Framework (SCQF).

The SCQF gives qualifications a level indicating how difficult the learning for each qualification is. There are 12 levels in the SCQF, level 1 being the least difficult.

- ISCED Level 1 - Primary education or first stage of basic education (SCQF Levels 1-2)
- ISCED Level 2 - Lower secondary or second stage of basic education (SCQF Level 3-5)
- ISCED Level 3 - (Upper) secondary education (SCQF Level 6)
- ISCED Level 4 - Post-secondary non-tertiary education (SCQF Level 7)
- ISCED Level 5 - First stage of tertiary education (SCQF Level 8 - 10)
- ISCED Level 6 - Second stage of tertiary education (SCQF Level 11 - 12)

Cumulative Growth Products for Individuals

Product	2010	2011	2012	2013
Events	110	544	1550	1825
International Strategy Workshop - All	92	320	683	797
Specialist Export Engagement			155	437
Export Assessment Tool		1	405	405
Roadshow	228	320	320	320
International Manager For Hire	27	93	187	194
International Strategy Forum		60	142	187
Introductory training modules		177	179	179
Helpline support	92	161	161	161
1:1 technical support	101	156	161	161
E-mail support	61	81	81	81
International Preparedness Programme - Introductory		57	72	72
Online Preparing To Export		1	57	69
In-house training	2	68	68	68
International Preparedness Programme	6	52	56	56
E-Commerce Introductory				50
Company In-house training			28	38
International Preparedness Programme - Advanced		37	37	37
Graduate Placement		4	30	36
EFRS Research			13	30
Smart Exporter Technical Support			8	30
Strategy Insight - ecommerce		29	29	29
Technical Company Visit				8
Export Clinic			8	8
Introductory Manager for Hire		3	6	6
International Trade Advice				6
Smart Exporter Technical Modules				1
Total	719	2164	4436	5291