

WP T2.3.2

Report on key lessons learnt in working with participant SMEs in a Brexit context

| Contents | Page |
|--|-------------|
| 1. Rationale- the Brexit context | p3 |
| 1.1 What is the Brexit Context? | p3 |
| 1.2 E-Channel and the Brexit Context | p3 |
| 1.3 The E-Channel participant SMEs and the Brexit Context | p4 |
| 2. Methodology | p7 |
| 2.1 Why did we collect this data? | p7 |
| 2.2 When did we collect data from the SMEs? | p7 |
| 2.3 What data did we collect from the SMEs? | p8 |
| 2.4 How did we collect data from the SMEs? | p8 |
| 3. Key lessons learnt in working with participant SMEs | p8 |
| 3.1 External Partners | p8 |
| 3.2 E-Channel Platform Tools | p11 |
| 3.3 E-Channel Launchpads | p12 |
| 4. The Questionnaire - SME attitude to Brexit | p14 |
| 5. Key lessons learnt in working with participant SMEs in a Brexit context - Conclusions | p18 |

| Tables | Page |
|--|-------------|
| Table 1 The E-Channel project in the context of Brexit and Covid-19 | p5 |
| Table 2 SME overview by sector | p7 |
| Table 3 Brexit Impact / Risk on SME by sector and by country | p7 |
| Table 4 SME core New Market Aspirations before starting E-Channel | p8 |
| Table 5 Summary of participant SME post-Brexit concerns and questions | p10 |
| Table 6 Key findings and lessons learned from working with External Partners / BSOs | p11 |
| Table 7 Summary of key findings and lessons learned from working with the E-Channel Platform Tools | p12-13 |
| Table 8 Summary of key findings and lessons learned from working with the E-Channel Launchpads | p13-14 |

| Appendices | Page |
|--|-------------|
| 1. Appendix 1: Key dates and events which illustrate the complicated chronology and context of Brexit. | p21 |
| 2. Appendix 2: Soledis and Vertical Plus Questionnaires | p23 |

1. Rationale - the Brexit context

E-Channel was open to SMEs who had previous experience of cross-channel trading as well as those considering it for the first time. The E-Channel Consultancy Model¹ was robust and could engage with SMEs who had potentially been on different trajectories before arriving at a point where they wished to join the project. The support offered was designed to be differentiated in line with any e-commerce new market or export experience the SME already had either pre, during or post-Brexit. Part of the consultation with each SME was advice on the management of change and expectation.

In the original bid document, (p27) we said: [24]

The outcome will be to support each participant SMEs with Brexit, including the following work:

[a] E-Channel Launchpads will work with external partners including the Franco-British Chamber of Commerce and Industry (FBCCI) and Brittany Ferries to explore meta level solutions / mitigation strategies to post-Brexit trading conditions as they arise.

[b] E-Channel Platform tools will be updated in line with agreed E-Channel post-Brexit arrangements e.g. the effect on shipping and logistics and exchange rates.

[c] E-Channel Launchpads will work with SMEs to signpost the latest situation on the post-Brexit trading situation as part of the ongoing cycle of SME reviews.

These points will be addressed in Section 3.

1.1 What is the Brexit Context?

Brexit was the withdrawal of the United Kingdom from the European Union and the European Atomic Energy Community at the end of 31 January 2020.

The preparations for Brexit started on 23 June 2016, when in a referendum, Britons voted 52% to 48% to leave the EU. From April 2020 to April 2021 this was, and continues to be, a time of uncertainty for SMEs on both sides of the Channel.

A selection of key dates and events which illustrate the complicated chronology and context of Brexit can be found in Appendix 1.²

1.2 E-Channel and the Brexit Context

The E-Channel Project is also set against the Brexit context and was itself initially conceived before the 2016 referendum.

Key dates for the project include:

- E-Channel project application approved by the Joint Secretariat (28.06.2018)

¹ More information about the E-Channel consultancy Model can be found in a report on key lessons learned in establishing E-Channel consultancy services which is available at <https://www.e-channel.org/resources/>

² A full Brexit chronology can be found at <https://www.cer.eu/brexit-timeline>

- E-Channel project approved start date (01.08.2019)
- E-Channel project KO Meeting (11.09.2019)

When set in context, it can be seen that E-Channel started:

- before the Brexit Extension had been granted (19.10.2019)
- before the UK Parliament ratified the Withdrawal Agreement Bill (23.01.2020)
- before EU Parliament Ratified Withdrawal Deal (29.01.2020)
- before the UK Left the EU (31.01.2020)
- before the details of the deal were agreed and published in outline (24.12.2020)

1.3 The E-Channel participant SMEs and the Brexit Context

Table 1 below sets the E-Channel project in the context of Brexit and also against the backdrop of Covid-19; both of which impacted upon the participant SMEs, the Launchpads and the project.

| Sept 19 | Oct 19 | Nov 19 | Dec 19 | Jan 20 | Feb 20 | Mar 20 | Apr 20 | May 20 | June 20 | July 20 | Aug 20 | Sept 20 | Oct 20 | Nov 20 | Dec 20 1st Jan 21 | Feb 21 | March 21 | April 21 |
|---|--------|--|--------|--|--------|---|--------|--------|---|---------|---------------------------------|---------|---|--------|----------------------|--------|-----------------------------|----------|
| E-Channel starts Sept 2019 | | | | Main preparation for SME selection | | SME selection, recruitment and on-boarding phase | | | | | | | | | | | | |
| Brexit Context Oct 19 EU Summit Brexit Extension Granted | | Jan 31st 2020 UK Leaves EU Feb 20 EU Agrees Negotiating Mandate + UK Releases Negotiating Objectives | | | | June 20 UK rules out transition period extension July 20 Legal deadline for signing off an extension | | | | | | | UK and EU agree Free Trade Agreement UK Parliament Approves EU Trade Deal Brexit Transition Period Ends Jan 21 Border Control Introduced | | | | | |
| | | Covid-19 23 Mar Start of Lockdown England | | UK Tier system including full lockdown in some areas | | | | | 5 Nov Eng Lock down 2 | | 5 Jan England Lockdown 3 | | | | | | | |
| | | 17 March Start of Lockdown France | | | | | | | 30 Oct FR Lockdown 2 until Mid Dec 2020 | | | | | | | | 3 April FR Lock down | |

Table 1: The E-Channel project in the context of Brexit and Covid-19

During the initial stage of the pandemic, March to June 2020, many SMEs were unable to fully commit to the project as they were trying to maintain their businesses, and respond to government policy changes and support e.g. the furlough scheme in the UK, staff working from home in both the UK and France, and so had limited capacity for additional activities, even though they expressed an interest pre-Covid-19. However, E-Channel made the decision to go ahead with project marketing. After an early, gentle trickle, more SMEs started showing interest in the project from July 2020, with a specific interest in new markets/ export and e-commerce. The participant SMEs, on both sides of the Channel were all selected and recruited during the period that included:

- after the UK had left the EU (31.01.2020)
- but before the Brexit Transition Period ended (31.12.2020)

- EU and UK negotiators reached an agreement (24.12.2020)
- and Border Controls were introduced (01.01.2021)

On 1 September 2019 the UK Government launched the 'Get Ready For Brexit' public information campaign³. However, on 01.01.2021, when the border controls went up, it was still not clear to UK or FR businesses - and entire industries, what the new system and processes would be or how they would work in practice, whether they were exporting to Europe / UK, importing from Europe / UK or engaged in the transit of items through Europe. By early 2021, both FR and UK SMEs witnessed the scale of post-Brexit confusion on much larger players, with more money and more resources, trying to navigate the new conditions with limited success.

The EU-UK Trade and Cooperation Agreement was a trade agreement signed on 30 December 2020, between the European Union, the European Atomic Energy Community and the United Kingdom, and applied provisionally from 1 January 2021, when the Brexit transition period ended. Hailed by the UK Government as a good thing, with no tariffs or quotas on most goods, and better than 'no-deal', it was supposed to be a way to provide a basis for future negotiations. However, in practice, it made UK trading with the EU more difficult, rather than easier. Control of borders meant more red-tape for traders and transporters, and with little time to make final preparations, days in fact, the ensuing disruption was not unexpected in the short term.

For example, a GB EORI (Economic Operation Recognition Identification) number was needed to move goods to, or from, the UK, and if undertaking any EU customs processes, an EU EORI, as well as commodity codes or category of the goods and licence and/or proof of origin for certain categories.

For UK and French SMEs, in the FCE region, this was a time for participant SMEs to consider whether new market export to each other's countries was even possible.

There was a phased approach (January to July 2021), for cross border transport of goods, customs declarations for exports to EU countries to be completed, for imports from the EU to the UK. For businesses that did not have the resources to do this in-house, and most SMEs don't, BSO⁴ and Non-BSO⁵ advice was to appoint a customs agent, freight forwarder or fast parcel operator as soon as possible. It was estimated that there would be a five-fold increase in declarations and so this specialist resource was immediately snapped up by the larger companies who had the time and resources to do this, therefore putting SMEs at a disadvantage.

Along with the additional red tape of customs declarations and safety checks, GB/EU cross border fulfilment became more complicated. The E-Channel project participant SMEs who were artisan food and drink producers, for example, particularly those with perishable or short shelf life goods, were particularly perplexed by the paperwork and certification required, and then for long delays at ports and customs offices.

Advice from BSOs and Non-BSOs, when positive, was to prepare for the worst while hoping for the best. However, as the e-commerce directive no longer applied to the UK, businesses with customers in EU and EEA countries rushed to check if new regulations or prior authorisations applied in each of those countries. The emerging consensus, from January 2021, from BSOs,

³ <https://www.nao.org.uk/report/eu-exit-the-get-ready-for-brexit-campaign/> and <https://committees.parliament.uk/work/127/eu-exit-get-ready-for-brexit-campaign/>

⁴ A BSO is a Business Support Organisation: An organisation whose role is to support other businesses. For example a chamber of commerce or a government agency

⁵ A Non-BSO is a non-business support organisation. That is to say, a business which does not support other businesses but is a business in its own right. For example a haulage company or an advertising agency.

Non-BSOs and the media, and shared by the participant SMEs was that until the post-Brexit processes had been bedded in:

- For UK SMEs starting out in e-commerce to focus on their domestic market;
- For French SMEs starting out in e-commerce to focus on Europe and the rest of the world but to avoid or pause any plans for the UK market.

It can therefore be seen that, from January 2021, the Brexit context had a very different impact on SMEs seeking to access new markets via e-commerce, depending which side of the Channel they were on, and which market sector they were in.

The E-Channel Project encompassed SMEs from different sectors with differing dispositions towards innovation, at different stages of growth and maturity, from ‘start-ups’ to longer established SMEs.

Table 2 is a breakdown of the different sectors from which the SMEs were drawn and compares French and English SMEs.

| Sector Overview | | | | | | | | | | | |
|-----------------|----------------|-----------|--------------------------|----------------|-------------------|------------|---------|--------------|---------------|----------------|---------|
| | Food and Drink | Home ware | Clothing and Accessories | Arts and Craft | Health and Beauty | Technology | Service | Pet supplies | Baby Products | Toys and Games | Leisure |
| UK | 5 | 4 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| FR | 0 | 2 | 0 | 0 | 1 | 3 | 2 | 1 | 1 | 1 | 1 |
| TOTAL | 5 | 6 | 1 | 1 | 1 | 3 | 2 | 1 | 1 | 1 | 2 |

Table 2: SME overview by sector

The sector breakdown is important because, for each SME, trends and emerging opportunities were linked to:

- Post-Brexit trading conditions;
- How each sector fared due to Government imposed Covid-19 trading restrictions;
- Consumer spending trends and behaviour in each sector due to Covid-19.

Table 3 is a breakdown of Brexit Impact / Risk on SME by sector and by country.

| Vertical Plus Brexit Impact / Risk to SMEs | | | Soledis Brexit Impact / Risk to SMEs | | |
|--|--------|------|--------------------------------------|--------|------|
| Low | Medium | High | Low | Medium | High |
| 5 | 2 | 5 | 11 | 1 | 0 |

Table 3: Brexit Impact / Risk on SME by sector and by country

These scores are based on sector, as well as which side of the Channel the participant SME was on. SMEs were also faced with choices about Response Handling and Fulfilment (RHF). Those SMES with perishable or short-life items were particularly vulnerable to border delays, including checks on whether the items were ‘fit for consumption’, post January 2021. The group of 24 SMEs

who took part in the E-Channel Project were from diverse sectors but all had mixed feelings about post-Brexit trading conditions and did not see them as an opportunity in January 2021. Table 4 indicates SME core New Market Aspirations before starting E-Channel.⁶

| SME New Market Aspirations before starting E-Channel | | | | | |
|--|----------|-----------|-----------------------------------|--|---|
| | Domestic | B2B<->B2C | Export to EU / Exporter vers l'UE | Export to EU and English speaking Countries / Exporter vers l'UE et Pays anglophones | Export Worldwide / Exporter dans le monde |
| UK SMEs | 12 | 0 | 0 | 0 | 0 |
| FR SMEs | 3 | 2 | 3 | 2 | 2 |
| Total | 15 | 2 | 3 | 2 | 2 |

Table 4: SME core New Market Aspirations before starting E-Channel

2. Methodology

2.1 Why did we collect this data?

The rationale was to collect data which would help E-Channel to support the SMEs with new market entry. It was important to ascertain how, if at all, the Brexit context might impact on the SMEs, both during their time with E-Channel, but also post-Brexit, in a time scale beyond the project, so as to support and equip them with post-project ways forward.

2.2 When did we collect data from the SMEs?

Data about the SME interest, understanding and aspirations to accessing new markets in a Brexit context was collected at several key points on the SME Journey. It was envisaged that Brexit, and then the post-Brexit context, would be an issue for discussion with both French and UK SMEs at specific points and milestones in the SME Journey, including:

- when the SME initially expressed an interest in for E-Channel;
- during the onboarding and induction process;
- as part of their New Market Entry Plan;
- toward the end of the consultation process;

2.3 What data did we collect from the SMEs?

⁶ The progress, including whether the SME aspirations were met, will be discussed in a report that summarises the work undertaken with Participant SMEs and is available at <https://www.e-channel.org/resources/>

From the outset, open-ended questions and answers were harvested to gauge SME aspirations and potential for growth to enter a new market on the other side of the Channel. These questions included:

- How far did the UK SMEs see France as a new market?
- How far did the French SMEs see the UK as a new market?
- Had the SME tried to internationalise before?
- If not, why not?
- If yes, what had happened?
- What, if anything, put them off?

2.4 How did we collect data from the SMEs?

The Launchpad Account Manager logged SME feedback and asked open questions as a matter of course, including those about Brexit, at the four formal meetings and any informal contact between the SME and the Launchpad Account Manager, as part of the consultation process. A Brexit Questionnaire⁷, designed to capture key lessons learnt in working with participant SMEs in a Brexit context, was given to the participant SMEs toward the end of their consultation period. The Brexit Questionnaire was designed to measure the impact of Brexit, perceived or real, on the SMEs, to ascertain whether it had changed their minds about export to new markets in the FCE region. This is discussed in Section 4 of this report and the full responses are in Appendix 2).

3. Key lessons learnt in working with participant SMEs

3.1 External Partners

E-Channel Launchpads will work with external partners including the Franco-British Chamber of Commerce and Industry (FBCCI) and Brittany Ferries to explore meta level solutions / mitigation strategies to post-Brexit trading conditions as they arise.

Original bid document, (p27)

E-Channel liaised with several Business Support Organisations (BSO), including:

- Franco-British Chamber of Commerce and Industry (FBCCI);
- Brittany Ferries;
- Department for International Trade (DIT);
- Federation of Small Businesses (FSB);
- Devon Chamber of Commerce (DCC);
- Préfecture Morbihan;
- Bretagne Commerce International;
- Vipe Vannes;

⁷ The Brexit Questionnaires for UK and FR SMEs are available at <https://www.e-channel.org/resources/>

E-Channel liaised with several Non-Business Support Organisations (Non-BSO), or private support organisations, including:

- Brittany Ferries
- Hedgerow Marketing Advertising Agency
- Fruit Marketing Consultancy
- Agence API - Business News Agency

The E-Channel project advice offered to SMEs, through its work with BSOs and non-BSOs, was set against a backdrop of shifting sands as the fine detail and granular level of the deal did not become clear until long after January 2021; post-Brexit. The E-Channel Launchpads were able to signpost support to the SMEs in these four areas and worked with their external partners as identified above, to explore meta level solutions and mitigation strategies to post-Brexit trading conditions as they arose. There were many similarities from both UK and FR SMEs. Table 5 is a summary of participant SME post-Brexit concerns and questions, from both sides of the Channel, which can be loosely grouped under four headings.

| Area of concern | SME Concerns and questions | E-Channel Response and example links |
|------------------------------------|--|---|
| 1. Rules and regulations: | <ul style="list-style-type: none"> ● Additional administration; Changes to the necessary paperwork; ● customs declarations ● Certification changes; ● New 'correct' documentation; ● Impact on the rules of origin; | E-Channel was able to signpost resources and information about Brexit customs regulations. ^{8 9} |
| 2. Transport and logistics: | <ul style="list-style-type: none"> ● Response Handling and Fulfilment changes; ● (Hidden) costs; ● Increased container costs; ● Delivery timings; ● Delays at border control; | E-Channel offered support for updates to online shipping options and policy, and returns/refund policy. (Footnote 9 and 10). |
| 3. VAT and costs: | <ul style="list-style-type: none"> ● VAT payments; ● VAT registration; ● VAT refund claims ● Custom and excise duties for items outside the free trade agreement; | E-Channel offered support for online adjust tax settings in e.g. Shopify (Footnote 9 and 10). |
| 4. Stock, Packaging and labelling: | <ul style="list-style-type: none"> ● Changes to packaging and labelling; ● Product safety; ● Conformity and eco-compliance; ● EU licensing; | E-Channel was able to signpost resources and information about packaging and labelling for e-commerce, as well as stock inventory and stock management. |

Table 5: Summary of participant SME post-Brexit concerns and questions

⁸ A useful article by Shopify, a multi-national e-commerce platform can be found at <https://www.shopify.co.uk/blog/brexit-impact-e-commerce#3>.

⁹ E-Channel commissioned a Non-BSO Agency called Fruit Marketing to write a series of articles about these four areas of concern, which are available at <https://www.verticalplus.co.uk/blog/>

Table 6 is a summary of key findings and lessons learned from working with External Partners / BSOs.

| Key findings and lessons learned from working with External Partners / BSOs | |
|---|--|
| 1 | The participant SMEs were more interested in receiving granular, practical support at a micro-level to address their own needs. They did not have the time or interest in what they saw as speculation on the changing broad stroke meta-Brexit picture, especially as they were also having to mitigate Covid-19. |
| 2 | Signposting to BSOs and Non-BSOs, so that SMEs could receive the most up-to-date information, could be a double-edged sword. Many SMEs reported that the amount of advice available could be overwhelming and as off-putting as it was informative, specifically from late 2020. A key lesson learned was to contextualise, and in a way compartmentalise, the upheaval of the immediate post-Brexit period and instead, to get the SME to think about how they might 'sow a seed' for the future. |
| 3 | <p>The FR and UK SMEs were both keen to improve their e-commerce skills as part of their e-commerce journey towards new markets. A key lesson learned from the small sample of E-Channel participant SMEs, was that the French SMEs had a different outlook to UK SMEs in terms of their view of these new markets.</p> <ul style="list-style-type: none"> • The French SMEs regarded English as the language of business, whether it was the first or second language of their proposed target market. They were optimistic about seeking new markets in Europe and Asia as well as America and Australasia. They took a highly pragmatic approach to the UK market and did not see it as being of significant importance. • The UK SMEs were far more focussed on using e-commerce to consolidate their domestic market share and to grow new markets in the UK. Arguably, the immediate post-Brexit effect on this group of UK participant SMEs was to create something of a sense of insularity as an outcome of the 'withdrawal'. |
| 4 | French SMEs were put off from entering the UK market due to a perceived lack of support from French Business Support Organisations such as regional and national chambers of commerce. A 'lack of visibility' and guidance on the UK Market after Brexit was regularly cited by French SMEs, including concerns about customs and transport. This was seen as a 'disincentive'. The main reason for the reluctance of SMEs to enter the UK market was the low level of institutional support for this market, particularly by those French SMEs who would otherwise have been entering the UK Market for the first time. |
| 5 | French SMEs who were already involved in the market or positioned on a more global market (worldwide) were still interested in the UK market and less dependent upon institutional support from BSOs, but their interest was lessened by the size of the market and its ease of access, particularly compared to the Asian or European markets. |

Table 6: Key findings and lessons learned from working with External Partners / BSOs

3.2 E-Channel Platform Tools

In the original bid document, (p27) we said: [24]

E-Channel Platform tools will be updated in line with agreed E-Channel post-Brexit arrangements e.g. the effect on shipping and logistics and exchange rates.

During the life of the project, the Brexit context was a state of flux which led to great uncertainty. It was not possible to predict what the effect on shipping and logistics and exchange rates might be, from either side of the Channel. A Brexit deal, struck on Christmas Eve 2020, did not lend any further clarity to what the post-Brexit arrangements would look like. The UK Government completed and announced the new regulations one week before they were due to be implemented and this seriously impacted business confidence and the ability to plan in what was, for many businesses, including SMEs, their peak season. In addition, SMEs were also having to mitigate against the impact of Covid-19.

Table 7 is a summary of key findings and lessons learned from working with the E-Channel Platform Tools.

| Key findings and lessons learned from working with the E-Channel Platform Tools | |
|---|---|
| 1 | The vast majority of the participant SMEs were less experienced in export than might have been originally expected. Many of the SMEs had not seriously considered export before joining E-Channel. Some saw it as a main reason for joining the project but as they had limited, or no experience of international shipping, logistics or exchange rates, this necessitated additional time and commitment from the SMEs if they wanted this to become part of their New Market Entry Plans. The irony was that while post-Brexit trading conditions might have made the participant SMEs hesitant about e-commerce related export to new markets, many of them were also actively seeking any advantage to mitigate the impact of Covid-19, and to keep their businesses going in the light of the pandemic. |
| 2 | A key lesson learned sprang from how the SME had been using their tools and processes before joining E-Channel. The majority of SMEs did not have sufficient knowledge or understanding of their data systems and how these need to drive business processes, to be best prepared for e-commerce. By supporting the SMES with setting up Google Analytics and checking their data set up, E-Channel provided a crucial step to the SMEs being able to access new markets via e-commerce. Some of the SMEs saw the E-Channel tools and the project itself as a way to upskill themselves in e-commerce and therefore as a means of futureproofing their business. |
| 3 | A key lesson learned was that the E-Channel Platform tools did successfully serve to empower the SMEs with greater knowledge and understanding of their own data. This can be seen as a measure of success in supporting SMEs on their journey. |
| 4 | E-Channel Platform tools were updated in line with E-Channel post-Brexit arrangements e.g. the effect on shipping and logistics and exchange rates. A key lesson learned was that, without the consultancy services, the majority of the participant SMEs would not have had the time, resources or confidence to maximise their understanding or use of the tools, to optimise their e-commerce sales. The consultancy services were paramount to the success of the tools and processes. |
| 5 | Without BSO support to enter the UK market, the French participant SMEs identified opportunities outside the UK such as Europe, Worldwide, and B2B. As a result, |

| | |
|---|--|
| | <p>improving post-Brexit visibility of the UK market has not been a priority, due in part at least, to the lack of clarity from the BSOs. Post-Brexit agreements have had an impact on the French SMEs New Market Entry Plans as the concern is that:</p> <p>[a] The New Market Entry Plan cannot provide a sufficient, detailed and concrete analysis of the UK Market for SMEs at this time.</p> <p>[b] The New Market Entry Plan cannot provide a clear plan of action, the implementation of which would bear fruit for the SME in the UK Market.</p> |
| 6 | <p>E-Channel had several informal exchanges with CCI International, but the concrete impact for SMEs was too vague to be able to implement concrete operations (advertising, web prospecting, etc.). This situation was kept under review.</p> <p>While E-Channel may approach French BSOs such as Chambers of Commerce again, it is unclear what advice will be available before the end of the project (July 20210). A key lesson has been to focus on the identified markets and keep a watch on the impact of the post-Brexit trading conditions and agreements.</p> |

Table 7: Summary of key findings and lessons learned from working with the E-Channel Platform Tools

3.3 E-Channel Launchpads

In the original bid document, (p27) we said: [24]

E-Channel Launchpads will work with SMEs to signpost the latest situation on the post-Brexit trading situation as part of the ongoing cycle of SME reviews.

The E-Channel Launchpads worked with BSOs and Non-BSOs so as to signpost the latest situation on the post-Brexit trading situation, as part of the ongoing cycle of SME reviews. This was done remotely because of the pandemic. It soon became clear that SMEs on both sides of the Channel were put off by Brexit uncertainty, which in turn impacted upon their immediate plans to consider export to the UK or FR markets. SMEs concerns, in both France and the UK, around the practicalities of accessing each other's markets after Brexit were not unfounded as there were 'teething problems'¹⁰ over import and export between the UK and Europe.

Table 8 is a summary of key findings and lessons learned from working with the E-Channel Launchpads.

| Key findings and lessons learned from working with the E-Channel Launchpads | |
|---|---|
| 1 | A key lesson learned from the ongoing cycle of SME reviews was about the importance of being pragmatic, and taking both a short term and a longer-term view. Both UK and FR SMEs saw the potential for e-commerce in each other's countries and that these potential new markets were not time-limited so, they did not rule it out in the longer term. |
| 2 | When French and UK companies were advised by their own respective governments to consider setting up a branch or subsidiary in each other's countries, SMEs viewed this |

¹⁰ The remark about 'teething problems' was made by UK Prime Minister, Boris Johnson on 13.01.2021 about the post-Brexit trade relationship between Great Britain and Northern Ireland, but has been taken by many as Johnson's attempts to trivialise what could justifiably be described at the time as post-Brexit chaos.

| | |
|---|--|
| | <p>advice with scepticism as small businesses would not have the resources to mitigate Brexit on this scale. A key lesson learned was the importance of the E-Channel Launchpad Account Managers being to help the SME blot out the Brexit background noise and distraction and to focus instead on their New Market/Export Plan as part of the ongoing cycle of SME reviews, as this was something of specific value and pertinence to them.</p> |
| 3 | <p>A key lesson learned was that as the participant SMEs had little - if any, previous experience of e-commerce export to each other's countries, they did not have pre-Brexit and Brexit context experiences to compare, which therefore allowed the Launchpad Account Managers to focus on the present Brexit context rather than past, pre-Brexit trading conditions.</p> |
| 4 | <p>The SMEs who expressed an interest in export were very keen for E-Channel to provide the 'one stop shop' of knowledge and support services, as was the intention of the project. A key lesson learned was that to do this, it was paramount for E-Channel to find the most up to date, trusted expert sources to signpost the SMEs towards guidance on a range of e-commerce best practice, while mitigating Brexit.</p> |
| 5 | <p>A key lesson learned was that not only did the participant SMEs have a different perspective on their place in (or out of) Europe, but also on their place in the world, which in turn had a direct, if short term, impact on where they saw a potential for e-commerce related new market growth.</p> |
| 6 | <p>The questionnaires provided valuable information about participant SME attitude to Brexit. A key lesson learned was that this work, as well as the design and preparation for the questionnaire also allowed both Launchpads, and both project partners time to reflect on their own attitudes to Brexit, based in part on their own bias, on national media and messaging but then to remain objective from their perspective of working with SMEs to offer the consultancy services in a post-Brexit context.</p> |
| 7 | <p>A key lesson learned was that the SME attitude to Brexit - confidence, expectations and fears, had an impact on SME behaviour and decision making because decision making is based on how the SME feels as well as their hard data.</p> |
| 8 | <p>The French participant SMEs working in B2C sectors have been the most impacted. The main reason for this is the lack of visibility on small deliveries with high risk (B2C), in an unclear Post-Brexit UK Market.</p> |
| 9 | <p>The French participant SMEs working in the B2B sector (technology / defence) did not identify the UK as a main target market, and preferred instead to concentrate on the European and Asian markets.</p> |

Table 8: Summary of key findings and lessons learned from working with the E-Channel Launchpads

4. The Questionnaire - SME attitude to Brexit

It was envisaged that a questionnaire would be a good way to capture lessons learnt in working with participant SMEs in a Brexit context, and that the UK and FR questionnaires would be very similar. However, during the course of the project, as part of the SME feedback in their ongoing review cycle, as well as feedback from the Launchpad Account Managers, it became clear to the project partners that the participant SME attitudes to Brexit might be different because they were experiencing a different Brexit context, depending on which side of the Channel they were situated. It was therefore agreed by partners, Soledis and Vertical Plus, that the UK Brexit questionnaire¹¹ would be different to the French Brexit questionnaire¹².

It should be borne in mind that E-Channel worked with a group of 24 participant SMEs and therefore, the data recorded in the questionnaires is statistically insignificant. Instead, this data provides a snapshot of SME attitudes which cannot be reliably taken as more widely representative, as it is such a small number but, nonetheless, does reflect the findings from wider research carried out by the E-Channel Project.

Below is an analysis of the results from the questionnaires, with key findings and eleven lessons learned.

Key:

S - Soledis participant SME responses

V- Vertical Plus participant SME responses

The numbers [x] indicate the question number on the questionnaire

The full information from the Soledis and the Vertical Plus Brexit / New Market Questionnaires can be found in Appendix 2.

| | |
|--|---|
| [S1] | In the current context (Covid-19, Brexit), and apart from any assistance provided by the E-Ch project in particular, 50% of FR SMEs believe that the UK market represents an easier opportunity to reach than others, particularly in Europe. |
| [S9] | 79% of the French SMEs said they would like to be contacted by UK representatives (UK/ Fr chambers of commerce, importers and distributors) to develop the UK market. |
| [S6] | 57 % of French SMEs believe that new markets identified by the E-Channel project compensate for lost opportunities due to Brexit. |
| <p>1. Lessons learned: The French SMEs appeared pragmatic and not overly concerned about 'missing out on' the UK Market during the window of April 2020 to April 2021, but do still have an interest in it, even though they have additional new market options available to them, as they are optimistic about entering the UK Market in the longer term.</p> | |

¹¹ The UK Brexit questionnaire is available at <https://www.e-channel.org/resources/>

¹² The French Brexit questionnaire is available at <https://www.e-channel.org/resources/>

| | |
|------|--|
| [V9] | 37.5% of UK SMES said that they would find new suppliers for what they sell because of Brexit. |
|------|--|

2. Lessons learned:
 62.5% of UK SMES said that they would not find new suppliers for what they sell because of Brexit. Further research suggests that, between April 2020 to April 2021, some of these SMEs were not fully aware of the Brexit impact on their international supply chains and how these might affect their inventory in terms of product availability to sell in their domestic market - as there was limited clarity of information, if any, available until December 2020. In an e-commerce market, inventory management is paramount to avoid or manage 'out of stock' products.

| | |
|------|---|
| [V9] | 12.5% of UK SMES said that they would change what they sell because of Brexit, so therefore 87.5% will not change what they sell. |
|------|---|

3. Lessons learned:
 If they do not want to change what they sell, the UK SMES must therefore be clear and confident that they can sell their products - and make a profit, in their domestic market. This seems to be more of a risk for the UK SMEs if their domestic market 'dries up', or is saturated by cheaper imports for example, as this would therefore put them at greater risk than their French counterparts.

| | |
|------|---|
| [V9] | 25% of UK SMES said that they would change the way they find new customers in the UK because of Brexit, so therefore 75% will not change the way they find new customers in the UK because of Brexit. |
|------|---|

4. Lessons learned:
 If the UK SMEs do not want to not change the way they find new customers in the UK, (their main market) they appear to be thinking more rigidly than their French SME counterparts, who have cited Europe and worldwide new market aspirations, so the French SMEs will have the capacity for increased sales, and potentially more profits, in these larger markets while the UK SMEs concentrate on their domestic market but do not want to change their practice, and are less keen to exploit new market practices.

| | |
|------|---|
| [V9] | 25% of UK SMES said that they expect to find new customers in the UK because of Brexit, so therefore 75% do not expect to find new customers in the UK because of Brexit. |
|------|---|

5. Lessons learned:
 The key question for UK SMEs is: Where do the UK SMEs see capacity for growth? E-Channel research suggests this is a Brexit-related phenomena and that UK SMEs, in the short term at least, have become more insular in their outlook.

| | |
|--|--|
| [S2] | 43% of FR SMEs think the UK market will present new market opportunities after Brexit within 0-12 months. The rest are evenly spread (14) between 12-24 months and beyond, and a further 14% are not concerned by the UK market post-Brexit. |
| [V7] | 50% of UK SMES said that, in the next 12 months it would be significantly unlikely that they would make any investment (time, money or other commitments) towards finding more customers in Europe. 37.5 % of UK SMES said that they would be significantly or moderately likely to do so. |
| <p>6. Lessons learned: Both UK and French SMEs have mixed feelings about the current post-Brexit trading conditions (January to May 2021), but research suggests that in the longer term, the UK and EU markets will become more aligned post-Brexit, and so encourage cross-channel trade, particularly for the UK SMEs, who may need to expand beyond their domestic market.</p> | |

| | |
|--|--|
| [S3] | 59% of French SMEs believe that Brexit has not led to a lost opportunity for their business. |
| [V1] | 62.5% of UK SMES said that, in the last 12 months (April 2020-April 2021), they have been more discouraged to look for new or more customers in Europe and 37.5% weren't sure. None of the UK participant SMEs said they had been more encouraged to look for new or more customers in Europe. |
| <p>7. Lessons learned: 59% of French SMEs said that Brexit was not a lost opportunity for their business, but further research suggests that the French SMEs did not consider the UK as a primary market and so were not actively seeking to access it. One reason for this was the lack of engagement from French Business Support Agencies (BSO) such as Chambers of Commerce, in support of SMEs entering the UK Market, which had a direct impact on the French SMEs between April 2020 to April 2021. Brexit has had a significant impact on UK SMEs, at least in the short term, as none of them said they felt encouraged to seek or enter European Markets.</p> | |

| | |
|--|--|
| [S4] | 57% of French SMEs believe that UK businesses will have a disadvantage in Europe as a result of Brexit. |
| [V8] | 75% of UK SMES said that, as a result of Brexit, they would find it significantly or moderately less likely to find new customers in Europe. |
| [V9] | 37.5% of UK SMES said that they would lose customers because of Brexit. |
| <p>8. Lessons learned: Both UK and French SMEs said that Brexit would lead to a disadvantage for the UK SMEs. While only 37.5% of UK SMEs said that they would lose customers because of Brexit, feedback suggests this is about the possibility of potential customers, not actual ones as none of the UK SMES were exporting to Europe at this time.</p> | |

| | |
|---|--|
| [S5] | The number of French SMEs who believe that UK businesses will have an advantage or some advantage worldwide post Brexit is split at 50%. |
| [V9] | 12.5% of UK SMES said that they would find new customers in countries outside the EU because of Brexit. |
| <p>9. Lessons learned: 87.5% of UK SMES do not expect to find new customers in countries outside the EU because of Brexit. The UK SMES are far less optimistic about being able to find new markets in countries outside the EU than their French counterparts, so again, the key question for the UK SMEs is: Where do the UK SMEs see new markets with capacity for growth?</p> | |

| | |
|--|--|
| [S7] | 65% of French SMEs are thinking of selling, or will be able to sell, to the UK using solely digital means. |
| [V9] | 37.5% of UK SMES said that they would be more likely to sell more online because of Brexit. |
| <p>10. Lessons learned: 62% of UK SMEs do not think they will be more likely to sell more online because of Brexit, whereas 65% of French SMEs are thinking of selling, or will be able to sell more online to the UK using e-commerce. It could be interpreted that the French SMEs see e-commerce as a way to access new markets far more than their UK SMEs counterparts.</p> | |

| | |
|---|--|
| S8 | 93% of French SMEs are thinking of selling, or will be able to sell, to Europe using solely digital means. |
| V4 | 50% of UK SMES said that, looking ahead, they felt more discouraged to look for new or more customers in Europe for their business and 12.5% weren't sure. |
| <p>11. Lessons learned: The UK SMEs were 37.5% positive about accessing new European Markets as opposed to the French SMEs, who were 93% positive, and two and a half times more likely to access new European Markets, and saw e-commerce as a way to do this.</p> | |

5. Key lessons learnt in working with participant SMEs in a Brexit context - Conclusions

The Brexit context provided a different experience for the SMEs, depending on which side of the Channel they were situated. From the Entente Cordiale which had stood since 1904, a legacy of Brexit may be a greater sense of division than had been anticipated on both sides of La Manche. The infamous but short-lived EU AstraZeneca row¹³ (27.01.2021) over vaccine access seemed an ominous indication of what may become more common.

Both the UK and French participant SMEs fed back that they were sometimes confused as to whether a post-Brexit relationship between the UK and Europe would be an advantage or disadvantage to their businesses.

Established media outlets in the UK and France, including national newspapers and broadcasters from the BBC to France Télévisions, covered Brexit, looking firstly at the issues as they played out over time and secondly, the impact of those issues.

For the participant SMEs, the impact of Brexit media coverage was that they were often presented with:

- 1) a Brexit-based problem, itself interpreted as a fact;
- 2) the worry and the amplification of the negativity created by previous levels of uncertainty;

The uncertainty, disruption and fears voiced by BSOs and large organisations, which was also played out in the media, led to apprehension for most of the participant SMEs. Post-Brexit trading conditions were portrayed as a risk by key BSOs, who reacted with disappointment or a lack of visibility when they might have, more helpfully, remained objective in their support of SMEs who might have been considering cross-Channel trade. Feedback from both UK SME and was that a lack of visibility and objectivity has had a negative impact on their relationship with specific BSOs, at least in the short term, creating a 'trust gap'.

One of many examples of this lack of objectivity were comments made by Adam Marshall, the Director General of the British Chambers of Commerce on 19.01.2021:

"There is so much complexity. It's like an onion — the more you peel, the more you cry."¹⁴

Despite the efforts of E-Channel to remain objective, impartial and data led, the overwhelming participant SME decision to wait and see, due to this post-Brexit melee, was not surprising.

All the UK Government Brexit decisions were made very late in the day and so caused the maximum amount of damage and uncertainty on both sides of the Channel.

The Launchpad Account Managers had to be mindful of the participant SMEs responses to cross-channel selling, in light of the post-Brexit trading conditions. The consultancy support in areas including inventory management, market assessment, business planning and business growth, led to a New Market Entry Plan which could include options for cross-channel selling. However, the Launchpad Account Managers reported that the participant SME decisions were based as much on emotional responses and 'gut feelings' about Brexit, as their data. If the SMEs perceived the Launchpad Account Managers as 'pushing' or being biased towards cross-channel

¹³ <https://www.bbc.co.uk/news/world-europe-55822602>

¹⁴ 19.01.2021 in an article called: U.K. Businesses Drowning in Red Tape Under Brexit Border Rules <https://www.politico.eu/article/a-brexit-lesson-eus-benefits-largely-invisible-hurt-to-lose-single-market-boris-johnson/>

selling, this might have led to credibility problems with the SMEs, many of whom felt that cross-channel selling was too great a risk, or even for the SMEs to disengage from the project.

The Launchpad Account Managers listened to the SME concerns and tried to answer their Brexit questions as best they could, often by signposting to a BSO or Non-BSO, information and guidance while trying to remain impartial. The Launchpad Account Managers advised that the SME could consider their options, informed by their data. However, the majority of the participant SMEs could not do this because they did not yet understand their own data, as they were in early stages of their e-commerce development and journey.

Every export is also an import so there was a Brexit impact for both French and UK SMEs. Has Brexit been a major barrier to import/export for SMEs in the UK and France? Yes, at least in the period between September 2019 to July 2021, the life of the E-Channel Project. The post-Brexit landscape is currently a bleak one for SMEs looking for e-commerce, new market entry.

Perhaps, the key lesson learned from working with participant SMEs in a Brexit context may be down to patience and resilience; whether they are willing to wait until the dust settles before they test the waters of cross-channel trade. However, if and when they do decide that cross-channel trading is an opportunity, E-Channel will have equipped the participant SMEs on both sides of the Channel to assess these opportunities with more confidence, knowledge and professionalism.

Appendix 1:

Key dates and events which illustrate the complicated chronology and context of Brexit.

| | |
|--------------------------|---|
| 23 June 2016 | In a referendum, Britons voted 52 percent to 48 percent to leave the EU. |
| 29th March 2017 | The UK activated Article 50 of the Lisbon Treaty. The countdown to the UK formally leaving the EU, also known as Brexit , began. |
| 14th November 2018 | Draft Deal Revealed by, Prime Minister |
| 15th January 2019 | Deal Rejected by UK Parliament |
| 12th March 2019 | Deal Rejected Again by UK Parliament |
| 13th March 2019 | MPs say No to a No-Deal Brexit |
| 14th March 2019 | MPs vote on Brexit Delay |
| 21st March 2019 | EU Leaders Offer Brexit Delay |
| 25th March 2019 | UK to Approve Brexit Extension |
| 27th March 2019 | No Majority on Next Steps in UK Parliament |
| 29th March 2019 | Prime Minister's Deal Rejected...again |
| 1st April 2019 | No Majority on Next Steps...Again |
| 2nd April 2019 | Cross Party Talks & Brexit Extension Request |
| 10th April 2019 | Brexit Extension Granted |
| 23rd July 2019 | New Prime Minister Selected |
| 9th September 2019 | No-Deal Extension Legislation Confirmed E-Channel starts |
| 17th & 18th October 2019 | EU Summit |
| 19th October 2019 | Brexit Extension Granted |
| 23rd January 2020 | UK Parliament Ratifies Withdrawal Agreement Bill |
| 29th January 2020 | EU Parliament Ratifies Withdrawal Deal |
| 31st January 2020 | UK Leaves EU |
| 25th February 2020 | EU Agrees Negotiating Mandate |
| 27th February 2020 | UK Releases Negotiating Objectives |
| 12th June 2020 | UK rules out transition period extension |
| 1st July 2020 | Legal deadline for signing off an extension |
| 24th December 2020 | UK and EU agree Free Trade Agreement |
| 30th December 2020 | UK Parliament Approves EU Trade Deal |

| | |
|-------------------------|--|
| 31st December 2020 | Brexit Transition Period Ends |
| 1st January 2021 | Border Controls Introduced |
| 31st April 2021 | Bridging Period for Personal Data Transfers Ends |
| 1st July 2021 | Temporary Easements on Border Controls End |

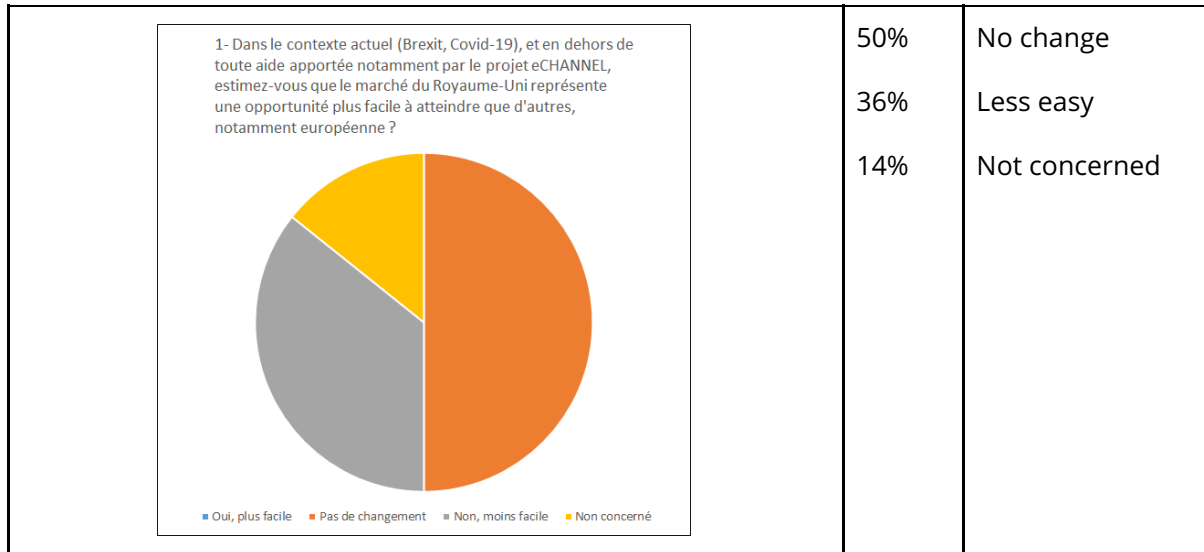
A full chronology can be found at <https://www.cer.eu/brexit-timeline>

Appendix 2: Soledis and Vertical Plus Questionnaires

Brexit / New Market Questionnaire for French SMEs

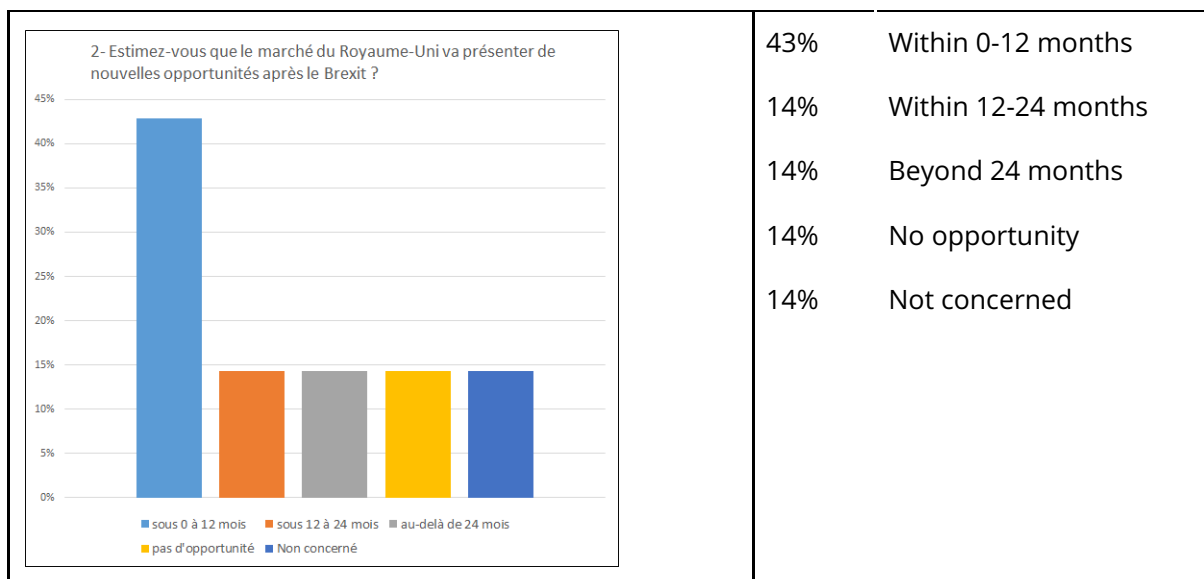
Question 1:

In the current context (Covid-19, Brexit), and apart from any assistance provided by the E-Ch project in particular, do you believe that the UK market represents an easier opportunity to reach than others, particularly in Europe?



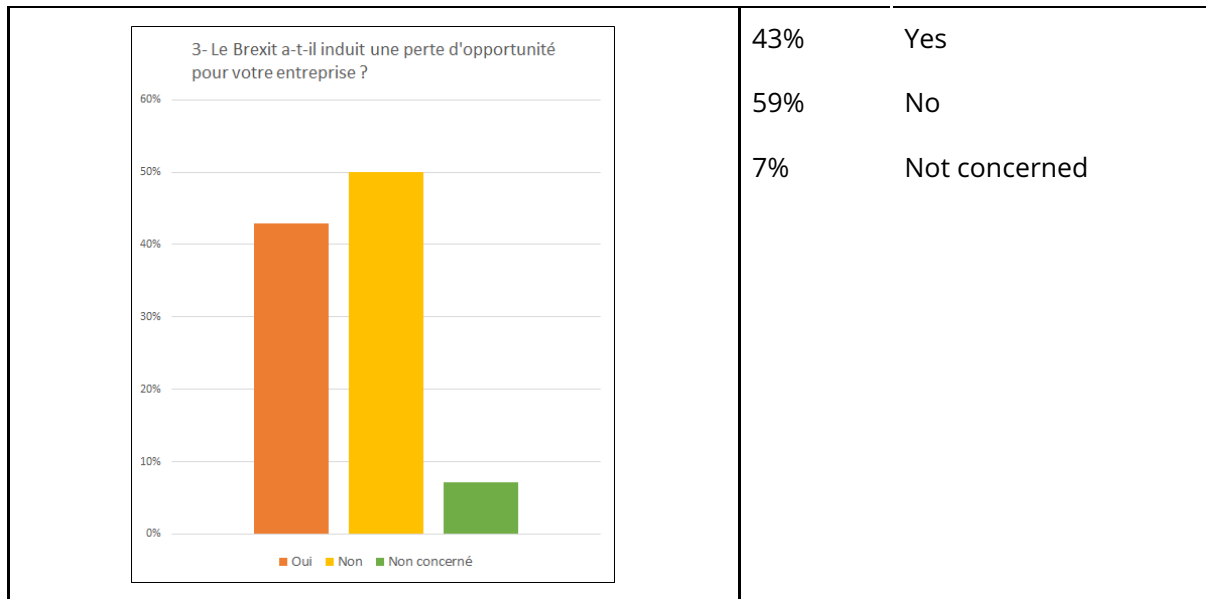
Question 2:

Do you think the UK market will present new market opportunities after Brexit?



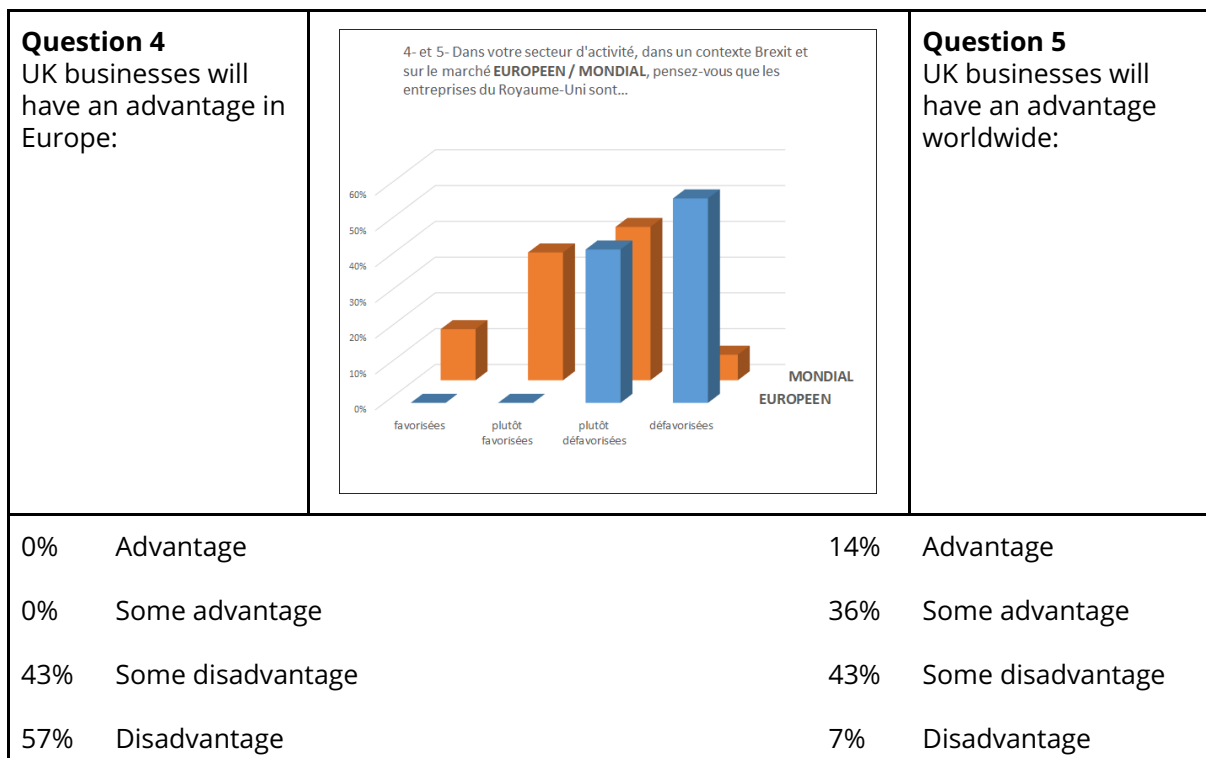
Question 3:

Has Brexit led to a lost opportunity for your business?



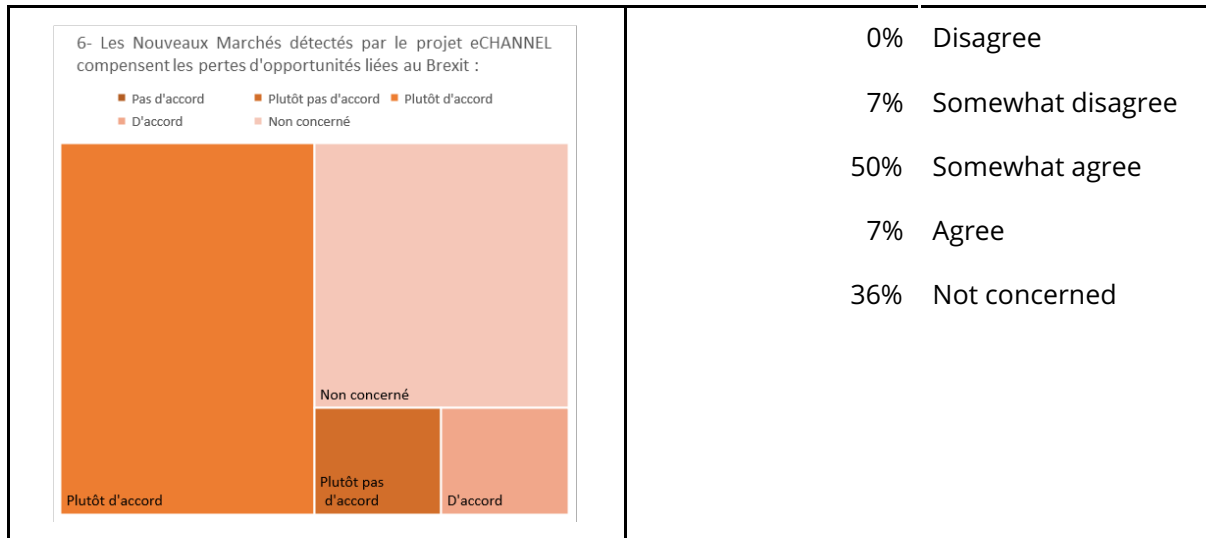
Question 4 and 5:

In your business sector, in the context of Brexit, and in a European and Worldwide market, do you think that UK businesses will have an advantage or a disadvantage?



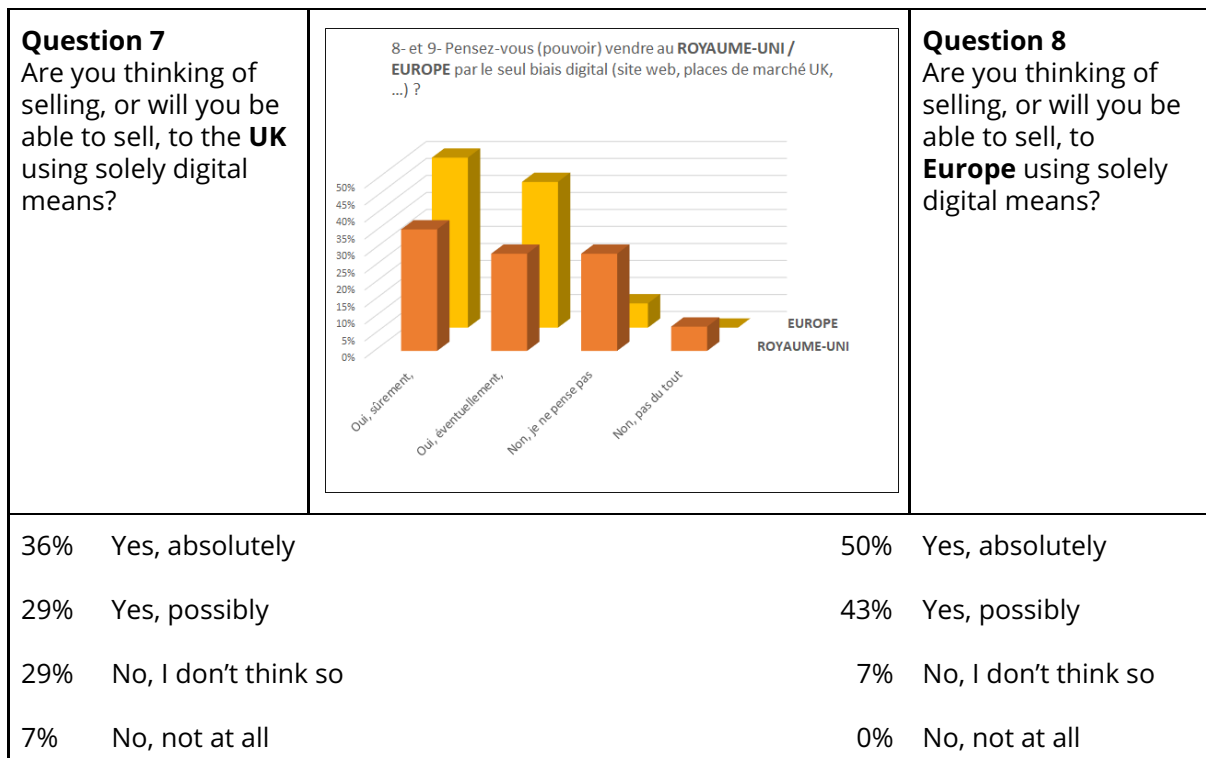
Question 6:

New markets identified by the E-Channel project compensate for lost opportunities due to Brexit.



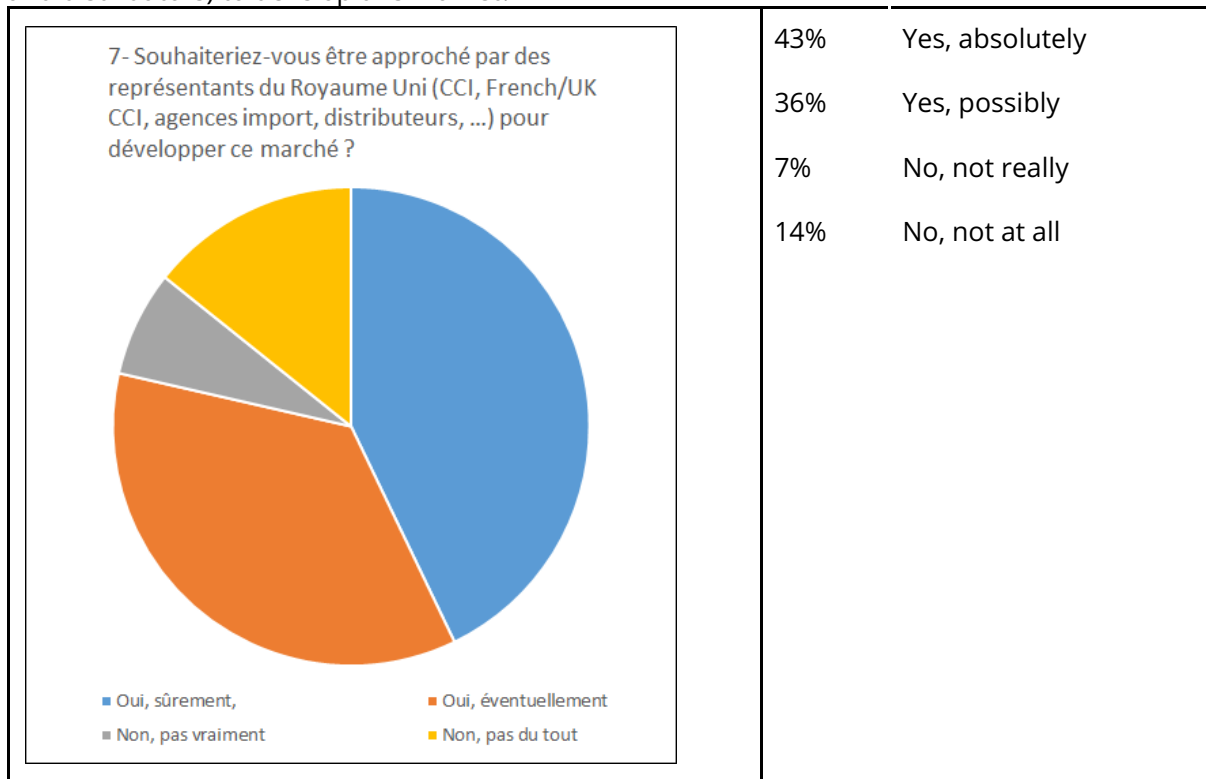
Question 7 and 8:

Are you thinking of selling or will you be able to sell to the UK / Europe using solely digital means (such as websites, UK marketplaces)?



Question 9:

Would you like to be contacted by UK representatives (UK/ Fr chambers of commerce, importers and distributors) to develop this market?



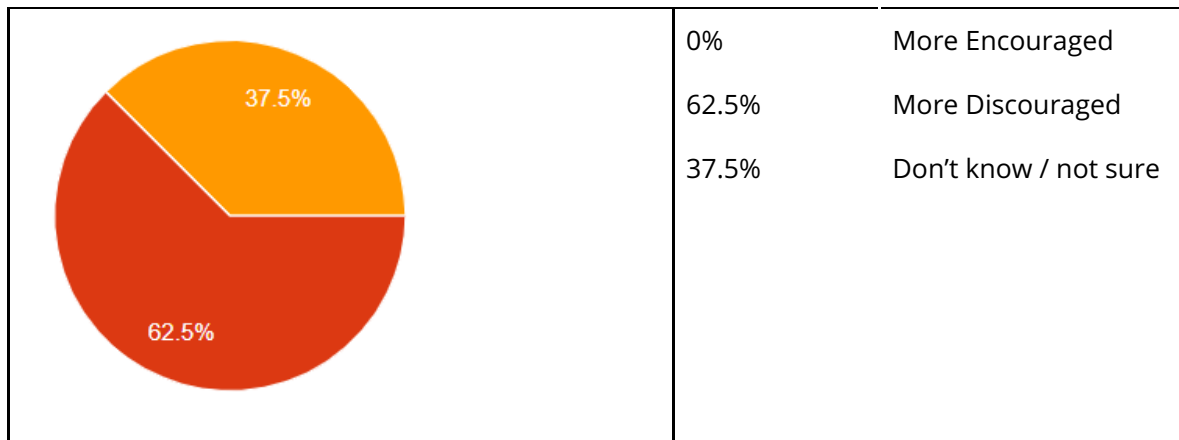
Question 10:

| | |
|---|--|
| <p>Is there anything else you'd like to tell us about Brexit?</p> | <ul style="list-style-type: none"> • <i>"Brexit has closed the door to the UK for us, and with Covid-19, we do not intend to develop any actions for this market in the short term, but we are keeping an eye on developments in the months ahead, but probably not for 1 or 2 years."</i> • <i>"Institutional bodies (particularly the International Chambers of Commerce) are not promoting business in England at the moment."</i> • <i>"Our market is worldwide, we should be able to bounce back, especially by developing our web channel."</i> |
|---|--|

Brexit Questionnaire for UK SMEs

Question 1:

In the last 12 months would you say you have been more encouraged to look for new or more customers in Europe or more discouraged?



Question 2:

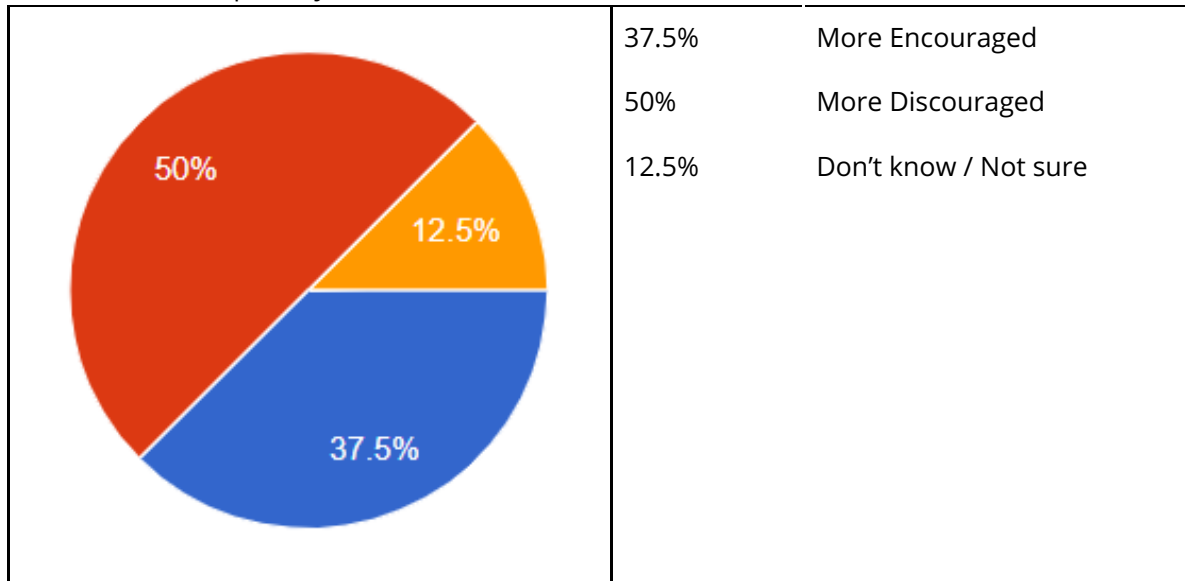
| | |
|--|---|
| <p>If there are any reasons why you might feel more encouraged to look for new or more customers in Europe in the last 12 months, please let us know what reasons you have to feel encouraged.</p> | <ul style="list-style-type: none"> • <i>Our business has recently started postal - posting was never an option for us, so worldwide/European postal would maybe be on the cards one day! Something we'll be paying attention to.</i> |
|--|---|

Question 3:

| | |
|---|--|
| <p>If you have been discouraged to look for more customers in Europe, please let us know what reasons you have to feel discouraged.</p> | <ul style="list-style-type: none"> • <i>Just the thought of Brexit and the problems that could arise from that. Difficulties in getting goods, red tape and extra tariffs.</i> • <i>Extra effort in exporting not worth it post-Brexit</i> • <i>Concerned about complicated paperwork</i> • <i>At present, I do not feel confident shipping orders to European countries as I cannot tell customers for certain that they will not have to pay additional fees to receive their package, above and beyond the regular postage they have paid to me.</i> • <i>I already do have European suppliers, but would not take on any more because of the cashflow involved in paying the import duty etc upfront.</i> |
|---|--|

Question 4:

Looking ahead, do you feel more encouraged or more discouraged to look for new or more customers in Europe for your business?



Question 5:

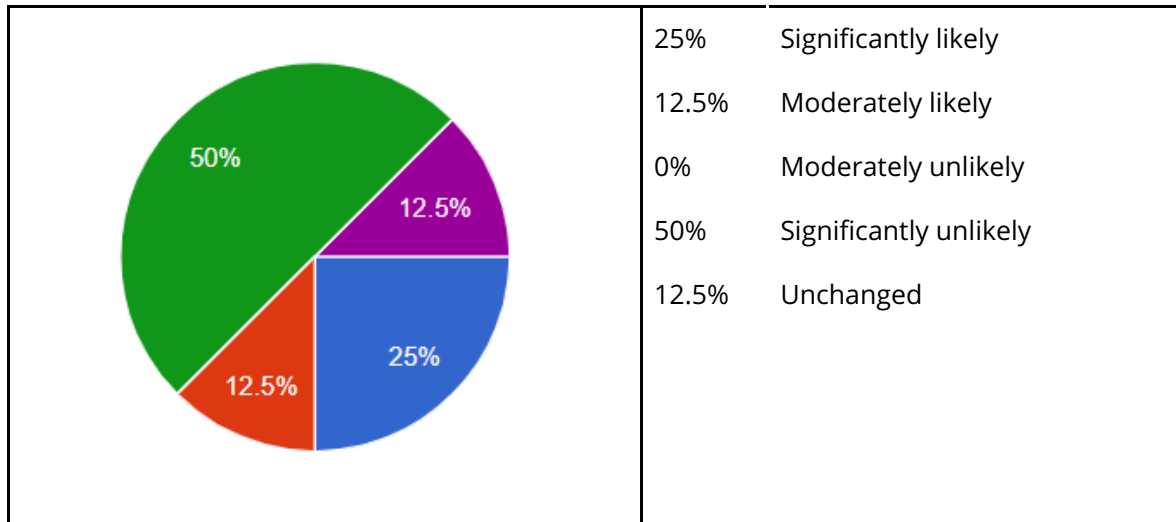
| | |
|--|---|
| <p>If there are any reasons why you might feel more encouraged to look for new or more customers in Europe in the future, please let us know what reasons you have to feel encouraged.</p> | <ul style="list-style-type: none"> • <i>Due to a new product, we are introducing targeting overseas.</i> |
|--|---|

Question 6:

| | |
|---|---|
| <p>If you are discouraged to look for more customers in Europe in the future, please let us know what reasons you have to feel discouraged.</p> | <ul style="list-style-type: none"> • <i>Just the thought of Brexit and the problems that could arise from that. Difficulties in getting goods, red tape and extra tariffs.</i> • <i>Extra hurdle of regulations and packaging - may be easier in 2 or 3 years when things have settled</i> • <i>At the moment, I am not shipping outside the UK and this will remain until such time as I am sure my customers will not be charged to receive their parcels.</i> |
|---|---|

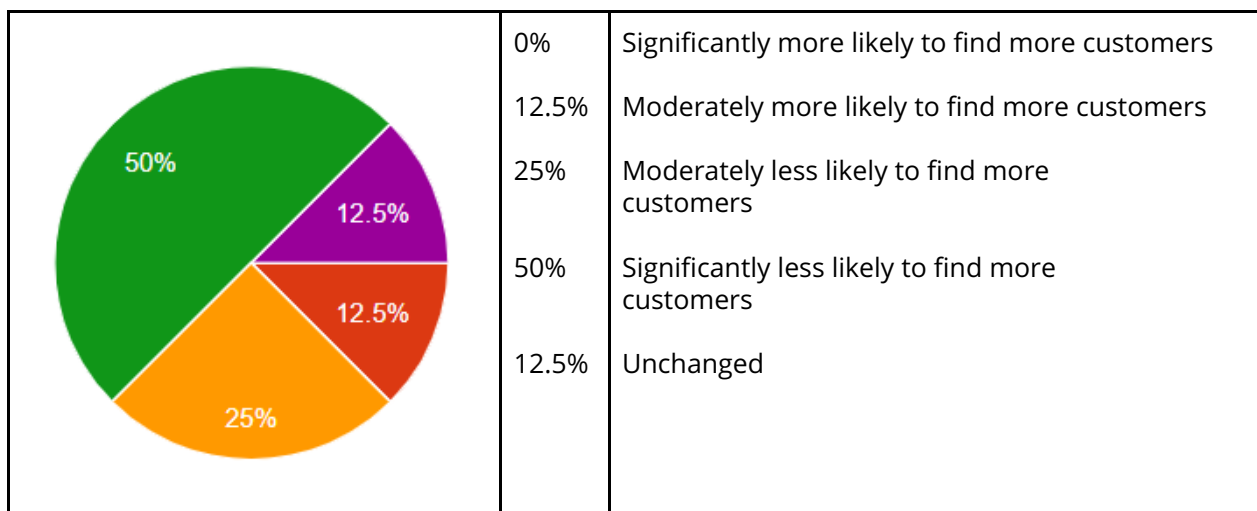
Question 7:

In the next 12 months how likely would it be that you would make any investment (time, money or other commitments) towards finding more customers in Europe?



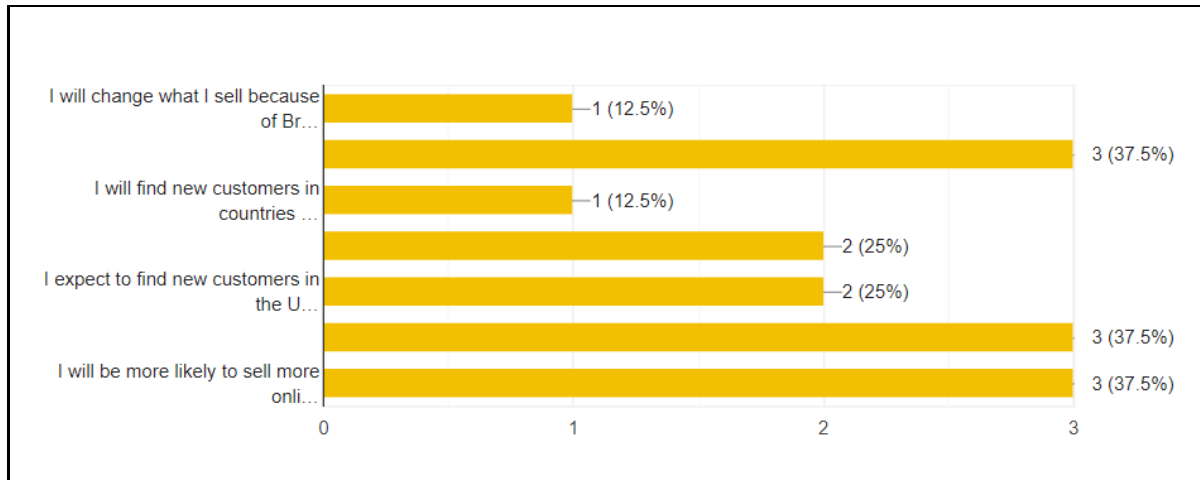
Question 8:

What impact do you think Brexit will have upon your ability to find new customers in Europe?



Question 9:

How many of the following statements represent what you are likely to do in the next 12 months?



| | |
|-------|--|
| 12.5% | I will change what I sell because of Brexit. |
| 37.5% | I will find new suppliers for what I sell because of Brexit. |
| 12.5% | I will find new customers in countries outside the EU because of Brexit. |
| 25% | I will change the way I find new customers in the UK because of Brexit. |
| 25% | I expect to find new customers in the UK because of Brexit. |
| 37.5% | I will lose customers because of Brexit. |
| 37.5% | I will be more likely to sell more online because of Brexit. |

Question 10:

| | |
|---|--|
| <p>Is there anything else you'd like to tell us about Brexit?</p> | <ul style="list-style-type: none"> ● <i>We've already seen a significant impact on all areas of our business, especially with customers having to pay high import charges on goods they have ordered.</i> ● <i>I think the teething problems need to be sorted before I would commit any time and money to selling in Europe</i> ● <i>There is a minimum wage in this country which has been ill considered and eroded by excessive paperwork for the self-employed. Brexit has bought more paperwork, which is a job for some and an erosion of hourly pay for others.</i> ● <i>It has caused confusion with certain European suppliers causing price increases and extra tariffs. This will encourage me to look closer to home for more local suppliers.</i> ● <i>Price rises and extra costs are yet to really affect business, I think it could be very difficult across next 12 to 18 months</i> ● <i>It has made my market smaller - it has not benefited my business in any way whatsoever, and has only disadvantaged me.</i> |
|---|--|