

**Interreg**



France (Channel  
Manche) England

**E-Channel**

European Regional Development Fund

WP T2.1.1

Set of criteria to ensure  
that participant SMEs have  
potential and capability

<b>Contents</b>	<b>Page</b>
1. E-Channel Project background	p2
2. Interreg definition of an SME	p2
3. Interreg Project Criteria	p3
3.1 Innovation	p3
3.2 Programme Area	p3
3.3 E-Channel Project Criteria Overview	p4
3.4 Out of Scope	p4
3.5 Equal Opportunities	p5
4. SME specific criteria for participation in the E-Channel Project	p5
4.1 Marketing Capacity	p5
4.2 Marketing Potential	p5
4.3 Growth Capacity	p5
4.4 Risk and Innovation Capacity	p6
4.5 Product Suitability	p6
5. SME Desirable criteria for participation in project	p6
6. Next steps	p6
 <b>Appendices</b>	
Appendix 1 GlobaleIS SME checklist for participation 1.1 Think	p7
Appendix 2 GlobaleIS SME checklist for participation 1.2 Decide	p9

## 1. E-Channel Project background

The E-Channel Project was commissioned because it was recognised that while SMEs in the France Channel England (FCE) area offer unique and specialised products, they may lack the expertise and confidence to enter new markets and sustain new market growth. They would therefore benefit from technical and consultancy support on their journey to sustainable cross-border and new market entry.

The E-Channel Project was designed to provide e-commerce new market support in an integrated package which would otherwise require working with a wide range of unconnected businesses and agencies, many of which are not specifically focused on the needs of an individual SME. The E-Channel Project will ensure SMEs integrate their online presence with services which are appropriate to their product range and scale of operation.

Further information about the E-Channel Project can be found on the Interreg website: <https://www.channelmanche.com/en/projects/approved-projects/e-channel/>

## 2. Definition of an SME

In the first instance, it is paramount that all parties; project partners, business support organisations and other collaborators, as well as the small businesses who may join the E-Channel Project, have a shared understanding of the term 'SME', as defined by Interreg.

The following is taken from Guidance Note 11 State Aid p142

<https://www.channelmanche.com/assets/document-downloads/Programme-Manual-v14.1-EN.pdf>

*The meaning of a Small and Medium Sized Enterprises is defined in Annex I of the GBER. This definition applies irrespective of the legal form of the organisation. This definition is important as it is part of the eligibility criteria for Article 20 as described above, and will define the co-financing rates allowable under the Articles described below.*

- *A SME is defined as an enterprise which employs fewer than 250 persons, has an annual turnover of under 50 million euro, and an annual balance sheet of less than 43 million euro.*
- *A Small Enterprise is defined as an enterprise which employs fewer than 50 persons, has an annual turnover of less than 10 million euro and an annual balance sheet of less than 10 million euro.*
- *A Micro-Enterprise is defined as an enterprise which employs fewer than 10 persons, has an annual turnover or less than 2 million euro and an annual balance sheet of less than 2 million euro.*
- *This test is not applied just at the level of a single organisation, but can also be applied where the organisation is part of a group of organisations. For example, if a company is 100% owned by another company, then the two companies are considered together for the purpose of determining their SME status.*


## 3. Interreg Project Criteria

### 3.1 Innovation

The Specific Objective of the E-Channel Project is Innovation. Innovation is defined by Interreg as follows:

<https://www.channelmanche.com/en/programme/specific-objectives/innovation/>

#### *Innovation*

*To increase the delivery and uptake of innovative  products, processes, systems and services in shared smart specialisation sectors.*

*The Programme is aiming to support the economy of the Programme Area by building upon its existing research excellence. Whilst certain areas of the Programme Area, mainly in the South East of England, are considered to have a good performance in Innovation, this is not reflected across the entire Programme Area.*

*The Programme would therefore like to see the better performing regions and institutions in the Programme Area support the areas which are performing less well to bring up the standard of innovation across the Programme Area as a whole.*

*Additionally, it was recognised in the analysis of the Programme Area that SMEs have a lower than average performance in R&D, and the Programme is aiming to support their involvement in the commercialisation of research in the Programme Area to work towards overcoming this.*

### 3.2 Programme Area

The France Channel England (FCE) Cooperation Programme (p3) contains an overview of the cooperation area:

<https://www.channelmanche.com/assets/document-downloads/Approved-Version2.2-EN.pdf>

*The 2014-2020 France (Channel) England cooperation programme brings together partners from the regions of the north and north-west of France along the Channel, as well as their immediate hinterlands, from Finistère to Pas-de-Calais and all the southernmost counties of the UK from Cornwall to Norfolk. The programme extends over an area of more than 130 000 km<sup>2</sup>. With a population of some 23.7 million people (about 3% of the total EU population), it is one of the most densely populated in Europe. It is also characterised by a mosaic of different regions, from major urban centres to intermediate (semi-urban, semi-rural) or rural regions, some of which are isolated.*

Guidance Note Three of the France Channel England (FCE) identifies the programme area:

<https://www.channelmanche.com/assets/Programme-Manual/EN/Guidance-Note-3-Project-Development1.pdf>

*The Programme Area covers the South and East Coasts of England from Cornwall to Norfolk, and the North Coast of France from Finistère to Pas-de-Calais. It has been enlarged from the previous programme to include the formerly adjacent areas of Somerset, Wiltshire, Surrey Cambridgeshire, Morbihan, Orne, Eure, Oise and Pas-de-Calais. Additionally, it now includes the Borough of Swindon and Peterborough.*

As per Interreg guidelines, the E-Channel Project seeks to:

- support the capacity of SMEs to engage in growth in regional, national and international markets, and in innovation processes;
- Support SMEs in all stages of their life cycle to develop and achieve growth and engage in innovation;
- Actively support entrepreneurship development and capacity building.

### 3.3 E-Channel Project Criteria Overview

Activity T2.1 taken from the E-Channel bid p23

Participant SME Identification

*Activity description and Partners involved*

*This activity will deliver a group of 24 UK & FR SMEs with potential to undertake cross-Channel e-commerce supported exporting. As well as the specification used to identify, shortlist and select the SMEs, E-Channel will aim to maximise learning by selecting SMEs with a variety of focus including: specialist food and drink producers (our main target), artisan craft makers, cooperatives, retailers, service providers, micro / start-up businesses and established businesses who now want to focus on export.*

Vertical Plus and Soledis will define the specification used to identify, shortlist and select participant SMEs. This will be influenced by:

- The size and range of their product inventory;
- The export potential of their inventory / flexibility to adapt their inventory;
- Their commitment to the organisational changes that e-commerce facilitated export might require.

### 3.4 Out of Scope

SMEs serving just the local economy (e.g. hairdressers, window cleaners, etc), are out of scope (EU definition) for the project.

### 3.5 Equal Opportunities

E-Channel will work in accordance with Output Indicators Common Indicator No. 45 to promote gender equality, equal opportunities and social inclusion across borders.

<https://www.channelmanche.com/assets/Programme-Manual/EN/Guidance-Note-2-Project-Idea-Generation1.pdf> (p6)

## 4. SME Specific criteria for participation in project

### 4.1 Marketing Capacity

The SME must have someone involved, to some extent, in marketing and who can dedicate time to marketing. They must also have a culture where marketing is perceived as valuable. They must have basic data interpretation skills. They should use company capacity scoring to identify the capacity for marketing:

- people dedicated to marketing;
- basic questions about marketing;
- basic understanding of data;
- the SME has to prove its capability to provide a minimum of 2 people dedicated at 60% on the project on the specific marketing issues.

### 4.2 Marketing Potential

The SME must have products which will sell well in the destination marketplace. There must be an assessment of the new market potential for their products.

- For B2C<sup>1</sup> markets a refined Market Attractiveness Matrix will be used to score marketplaces.
- For B2B<sup>2</sup> markets a marketing scoring will present the precise areas of New Market development with a list of 10 to 30 priority products, or 10 to 20% of the product range of the SME

### 4.3 Growth Capacity

---

<sup>1</sup> Business-to-Consumer (B2C) refers to the process of a company selling products and services directly to the consumer.

<sup>2</sup> Business-to-Business (B2B) is a transaction or business conducted between one business and another, such as a wholesaler and retailer.

The SME must have the culture and the facilities to be able to grow and change. This could include utilising existing capacity they want to fill or a willingness to invest more when the revenue starts to build. There must be an assessment of their ability to adapt to change that digital expansion could create.

- The SME has to prove its capability of the SME to generate a 50 to 200% growth capability on the 12 coming months, and on the New Market discussed (B2B, digital, english speaking), or at least a 10 to 20% of its last year sales

#### 4.4 Risk and Innovation Capacity

The SME must be willing to understand and take risks and be flexible. There must be an assessment of their ability to be flexible to adapt their inventory.

- For B2C markets risk assessment scoring will be used to identify the potential for understanding and taking risks.

#### 4.5 Product Suitability

The SME must have one or more relevant products suitable for a new growth market. There must be an assessment of their product size and range of their inventory.

- For B2B Markets Ansoff Product/Market Matrix will be used to score products.

## 5. SME Desirable criteria for participation in project

To help shortlisting, the following will also be considered:

- New market including export Potential: Experienced digital 'marketeers' but without using data or looking at their opportunities effectively;
- Experienced in entering new markets. Some techniques are quite advanced and our skills will have most impact for more for advanced companies;
- Companies who are specifically looking to export because working together, E-Channel can provide support on both sides of the channel.

## 6. Next Steps

The operation of the above criteria will be informed by consideration of the resources from the GlobalEIS Tool, as covered in Appendix 1 and Appendix 2. The Everywhere International SMEs (EIS) project was an Interreg project which ran from 1 Jan 2017 to 31 Dec 2020. It addressed the topic of SME competitiveness. The EIS project was of interest to E-Channel due to its work on the selection and support of SMEs in finding new markets and internationalisation. Further research, followed by contact with the EIS Project led to key lessons, regarding potential and actual contributions to the E-Channel project.

# Appendix 1

## GlobalEIS SME checklist for participation

### 1.1 Think

This checklist is taken from the Global EIS Tool. The EIS Project was contacted as part of a separate piece of research into potential / actual contributions to E-Channel from other projects. [https://www.interregeurope.eu/fileadmin/user\\_upload/tx\\_tevprojects/library/file\\_1546955884.pdf](https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1546955884.pdf)


#### **1.1 Think**

The first step invites the SME to consider its own situation by thinking about its motivation for wanting to export, as well as reviewing its business and financial plan, available internal skills and competencies, resources and access to or knowledge of external networks. Financial fitness and sustained profitability are crucial pre-conditions for successful exporting. Companies need to have a clear picture of their overall business health, as this will influence the potential success of their exporting process. The company should therefore conduct a 360-degree review of its own situation and export potential, including, but not limited to:

- current products/services,
- the level of own innovation and technologies,
- other core competencies,
- current markets and competitive situation/single competitors,
- own business idea/model/strategy and stage of the business,
- financial issues,
- staff capacity and skills,
- organisational structure,
- production and logistics system,
- supply chains with suppliers and customers,
- networking with other companies and other organisations,
- why do you want to export?

This last point raises an important question regarding an SME's motivation to export. This analysis must be undertaken thoroughly to avoid wasting time and costs in future. If an SME is not yet ready to export, but has the potential, it should either seek to close any identified gaps and weaknesses or take a different direction as exporting is not a suitable or relevant goal for all businesses.





SMEs' motivation for exporting can be very diverse. There is often no single right reason for exporting, there are positive benefits in many cases, but it is critically important that SMEs are aware of the risks involved in exporting. The checklist below helps to ensure that SMEs think through why they wish to export:

1. What is my motivation to export?
2. Does my company have the required competencies for exporting?
3. Am I willing to take the risk of exporting and if yes, to what extent?
4. What are the approximate costs of preparing for exporting?
5. Is the motivation to enter foreign markets already reflected in the business plan? If not, will it be reflected?

## Appendix 2

# GlobalEIS SME checklist for participation

### 1.2 Decide

This checklist is taken from the Global EIS Tool. The EIS Project was contacted as part of a separate piece of research into potential / actual contributions to E-Channel from other projects. [https://www.interregeurope.eu/fileadmin/user\\_upload/tx\\_tevprojects/library/file\\_1546955884.pdf](https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1546955884.pdf)

#### **1.2 Decide**

Upon completion of step one 'Think', the SME needs to invest time and resources in analysing and selecting the right market for their product(s)/service(s), establish business relationships with potential customers and market experts, and prepare their business for the selected market(s).

Furthermore, the SME must decide how to approach the target market. The process of defining the right product(s)/service(s) and market(s) with the way of entering new markets needs to be integrated because all aspects are strongly interlinked and cannot be viewed in isolation. The GlobalEIS Tool identifies two main activities for the Decide step: market analysis and market scanning.

#### Market Analysis

A thorough analysis of the most promising countries is required to select the right target market for exporting. The market analysis for any specific product or service requires gathering information about each potential country as a target market and the following checklist should be utilised:

1. Competitive environment: who is offering competing products and what are these?
2. Is a special registration or certification required for your product?
3. Is an export license needed? Check legislation and required regulations to enter the market.
4. Purchasing power and purchasing behaviour in the potential target market – are there specific cultural considerations to be aware of?
5. Do any Free Trade Agreements exist with the potential target country which could make market entry of the product easier?
6. Do you have to consider issues relating to Intellectual Property Rights (patents, trademarks, industrial design, etc)?
7. Identify your customers in the potential target market: is it a business to business (B2B) (like wholesalers or retailers) or business to consumer (B2C) business (consumers, public sector) or both?

8. What are the customer demands? Is a customisation of your product required in terms of functionality and/or branding for B2C, e.g. packaging and design? What are the appropriate distribution channels in the potential target market?
9. Is your product/service competitive in the target market in terms of the opportunity-cost, technical/technological functionality, innovation, design, branding?

The SME must also verify that the sources of the market analysis are reliable, and the analysis is relevant and up to date.

Based on the assembled data, the SME needs to appropriately price its product for export, taking into account the costs for fulfilling product registration and customisation requirements, production and distribution costs (shipping, marketing), customs duties, taxes and the cost of any finance required or implications on cash flow. The impact of fluctuations in exchange rates and the appropriateness of hedging also need to be considered.