

POWERING UP UK ADVERTISING EXPORTS



ADVERTISING
ASSOCIATION

UK
AEG



The Advertising Association (AA) promotes the role and rights of responsible advertising and its value to people, society, businesses and the economy. We represent the entire advertising and marketing services industry, acting as the connection between industry professionals, politicians, policymakers and other key stakeholders. In recent months, we have advanced several of our key policy areas, including on climate change, diversity and global business to help improve the industry. As we look ahead, we believe that the AA and its members can play an important role in the positive development and growth of our industry both at home and internationally.

As part of this strategy, in March 2020, we launched the UK Advertising Export Group (UKAEG) in partnership with Department for International Trade (DIT), Department for Business, Energy and Industrial Strategy (BEIS), Department for Digital, Culture, Media and Sport (DCMS), Advertising Producers Association (APA), Creative Industries Council (CIC), Data & Marketing Association (DMA), the Institute of Practitioners in Advertising (IPA) and London & Partners to promote and market the UK's position as the global hub of advertising. Our second annual export report released in March 2020 highlighted the strong growth in international business wins (exports) during 2018, increasing 15% over the previous year with exports worth £7.9bn to the UK economy.

As the Brexit transition period comes to an end and the UK deals with the impact of coronavirus, it is time to look to the future and beat the drum for its advertising industry.

Along with Credos, the advertising industry's think tank, the AA partnered with PwC on this report to understand what companies consider to be the key drivers of UK advertising exports. The results highlight why companies should be thinking globally with their new business. This report is now the go-to guide on how the AA is supporting the industry's global position and provides useful perspectives for companies wanting to go global.



**ADVERTISING
ASSOCIATION**

**UK
AEG**



CONTENTS

- 4 TOP 10 KEY TAKEAWAYS**
- 6 THE VALUE OF UK ADVERTISING SERVICES EXPORTS**



- 9 INTRODUCTION TO THE EXPORT STUDY FROM PWC**
- 10 DRIVERS OF UK ADVERTISING EXPORT SUCCESS**
- 19 BARRIERS TO UK ADVERTISING EXPORT GROWTH**
- 28 EXPORTING IN THE WAKE OF COVID-19**

ADVERTISING ASSOCIATION

- 33 LOOKING TO THE FUTURE: HOW THE ADVERTISING ASSOCIATION AND THE UK ADVERTISING EXPORT GROUP CAN HELP TO POWER UP UK ADVERTISING EXPORTS**
- 34 HOW GOVERNMENT POLICY CAN HELP POWER UP UK ADVERTISING EXPORTS**
- 38 POWERING UP UK ADVERTISING EXPORTS THROUGH INDUSTRY ACTION**

TOP 10 KEY TAKEAWAYS

1

UK advertising services exports grew by **15%** to reach **£7.9bn** in 2018 - a record high for the industry

2

97% of respondents believe that the UK is a global leader of advertising services

3

Creativity is the most significant driver of UK advertising export success – exemplified by the UK's success at international award ceremonies

4

The **quality** of both domestic and international talent in UK advertising helps to produce high-quality creative advertising

5

UK advertising's **global reputation** attracts highly skilled talent which creates award winning creative advertising



6

International clients believe that UK advertising is strategic and business savvy, setting the UK apart from other markets

“**UK Advertising offers a go-to package. For example, Manhattan isn't at the same level. The cost of overheads etc... are very high and as a result you tend to get access to junior staff which in turn means lots of hand holding and more work at the client's desk. When working with HeyHuman I get a more experienced team who understand business needs and speak in a common business language.**

Anon, US-based Global
Vice President

7

The cost of international trade, legal issues and cultural differences are the three most significant barriers of exporting UK advertising services

8

91% of respondents report that their overall revenues will be negatively impacted by Covid-19; however **22%** have seen one of their exporting revenue streams increase since Covid-19

9

In preparation for the UK's departure from the EU, the AA believe it is essential for the Government to **negotiate trade agreements** to ensure that the UK remains globally competitive

10

The AA believe that **industry-wide partnerships** will enable UK advertising as a whole to overcome barriers to exporting, reinforce the drivers and increase the overall success of UK advertising globally



THE VALUE OF UK ADVERTISING SERVICES EXPORTS

The following is a recap of the data reported in the latest UK Advertising Exports Report 2020 published in March by the AA and Credos¹. This data represents a pre-Covid-19 view of the industry.

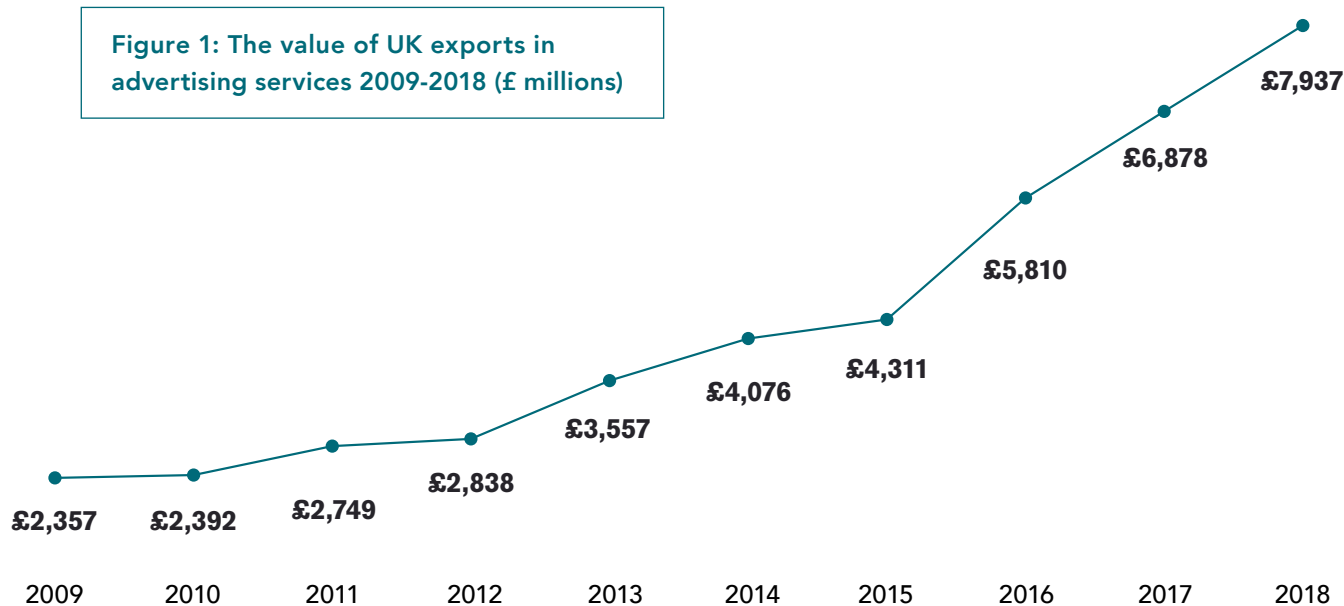
Annual UK advertising exports grew to £7.9 billion in 2018

The latest annual figures from the Office for National Statistics (ONS) show that UK advertising exports grew by 15% to £7.9bn in 2018².

Between 2009–2018, advertising services exports have grown by approximately 229%, from £2.4bn to £7.9bn. This equates to an average annual growth rate of 14% over the decade. **Figure 1** (below) shows the growth of advertising exports during this time.

These figures are testament to the underlying strength and resilience of UK advertising in international markets, particularly considering they cover the second full year following the 2016 Brexit referendum. Despite the uncertainty during this time around the country's departure from the EU, robust growth was seen in exports around the world.

Figure 1: The value of UK exports in advertising services 2009-2018 (£ millions)



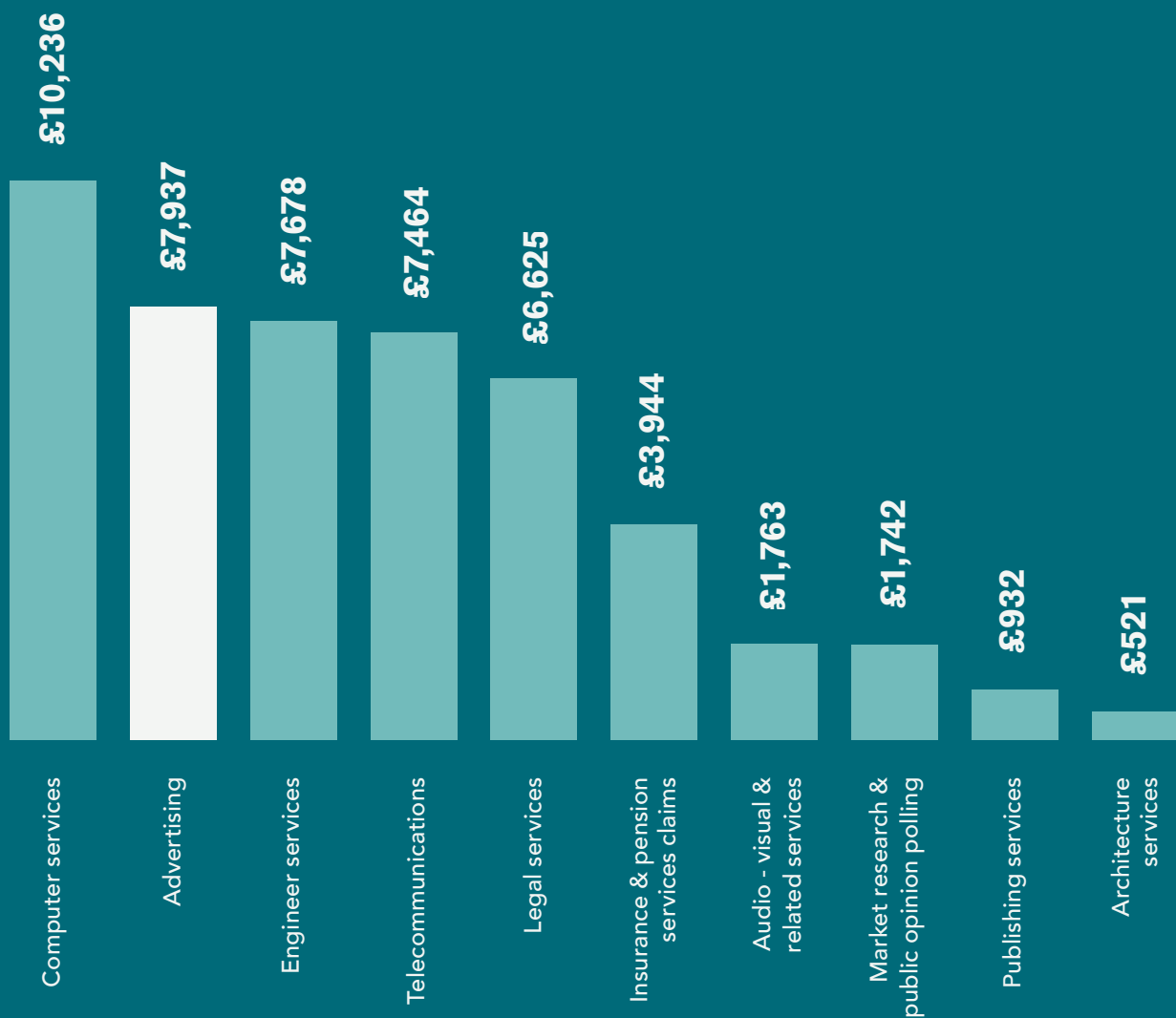
¹ More information on this data can be found in the UK Advertising Exports Report 2020 adassoc.org.uk/resource/uk-advertising-exports-report-2020
² Unless otherwise stated, all data in this section is sourced from the Office for National Statistics (2020), International trade in services, UK: 2018 ons.gov.uk/businessindustryandtrade/internationaltrade/bulletins/internationaltradeinservices/2018

How does advertising compare to other industries?

Figure 2 (below) shows the comparable exports value of advertising against other key industries. As can be seen, advertising services yield more value versus most of the other industries, with the sole exception of computer services.

The growth in advertising exports between 2017 and 2018 (15%) was higher than almost all other UK industries. For example, financial and telecommunications services grew by around 8% while engineering services fell by around 1%. When compared to 2017, advertising has gone from being the fourth largest service export to the second, overtaking telecommunications and engineering services.

Figure 2: Total export value of advertising services and other comparable industries (£millions) in 2018



Destination of UK advertising exports

The US remains the largest market for UK advertising services in terms of individual country exports, importing over £1bn worth of UK advertising. The US is followed by France (£785m), Germany (£712m), Switzerland (£644m) and Ireland (£539m)³.

Exports going to Europe (including both EU and non-EU countries) account for 61% (£4.8bn) of UK advertising exports. The UK's surplus of exports over imports for advertising services (£3.6bn) was once again the largest in Europe.

Culture and context

As can be seen in **Figure 1** (on page 6), post-2012 advertising exports increased by a higher rate than previous years. From 2009-2012 there was an average year-on-year growth of 6.5% (£2.4bn to £2.8bn). From 2013-2018, exports increased to an average year-on-year growth of 19% (£3.6bn to £7.9bn).

The most likely reason for this growth was the 2012 London Olympics. It is no surprise that hosting the Olympic Games brings a large amount of global attention. London's was no different and was a source of positive media attention centred around the creativity and innovation of British culture⁴.



(The opening ceremony) was the most spectacular celebration of all sorts of British creativity. It reminded us all what an inventive nation we are, from the National Health Service, literature and music, all told in the most stunning visual narrative.

Rosie Arnold, Head of Arts and Creative Partner AMV BBDO (2012)



(Recently) Sir John Sorrell said that after (Shanghai World Expo 2010), which featured Thomas Heatherwick's Dandelion Pavilion, a very senior member of the Chinese Government came up to him and said, 'We always thought Britain was very conservative, but now we see you are both modern and creative – how long have you been creative?'

Simon Manchipp, Executive Strategic Creative Director & Founder, SomeOne (2012)

³ Data from the ONS (2020), Annual Survey of International Trade in Services: 2018.
ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/internationaltradeinservicesbyserviceproductandcountry

⁴ What's the creative legacy of the London 2012 Olympics? Digital Arts, 2012. digitalartsonline.co.uk/features/creative-business/whats-creative-legacy-of-london-2012-olympics

INTRODUCTION TO THE EXPORT STUDY

SAM TOMLINSON, PARTNER, PWC



Following on from the UK Advertising Exports Report 2020 that examined the industry from a macro-economic viewpoint, PwC partnered with the AA and Credos to undertake a micro-economic study, delving into the individual stories, statistics and perspectives behind the companies serving the UK advertising export market. A wide range of companies assisted in unpicking the market, focusing on three key themes: drivers of UK advertising exports; barriers to UK advertising exports; and the impact of coronavirus disease 2019 (Covid-19) on UK advertising exports. This research highlights how exporting endeavours can fuel business growth while reducing dependency on the domestic market.

A variety of data sources were used to compile this report, including digital surveying of 60 UKAEG members and qualitative interviews to enhance and expand on the information obtained from the survey. While participants spanned a breadth of company sizes and services, the derived metrics within this report should not be taken as being representative of the entire market, but rather as an informational deep dive designed to illustrate a cross-section of exporting experiences across the industry.

The UK's success in advertising exports was found to be driven by creativity, talent and global reputation, which are all mutually reinforcing – without talent you can't have the creativity to obtain a global reputation, and without a global reputation you can't attract the quality of talent required to produce world class creativity. The main barriers to the export market were seen to be cost, legal issues and cultural differences, while perceived barriers relating to company size appear overstated.

The UK advertising industry has shown remarkable resilience and adaptability in regard to Covid-19, resulting in unexpected upsides for some creative companies. With international relationships under the spotlight due to Brexit, now is the time for the industry to push for increased international trade, allowing companies of all sizes to showcase their talents. The business adjustments required during Covid-19 were significant, but the way some companies have turned these into revenue-generating opportunities is highly commendable. An industry with that level of agility is truly a story of success.

We would like to express our gratitude to everyone at the AA and Credos and to all of the participating UKAEG members who contributed to this study. We hope you enjoy reading this report. Please do contact us with any questions.

DRIVERS OF UK ADVERTISING EXPORT SUCCESS

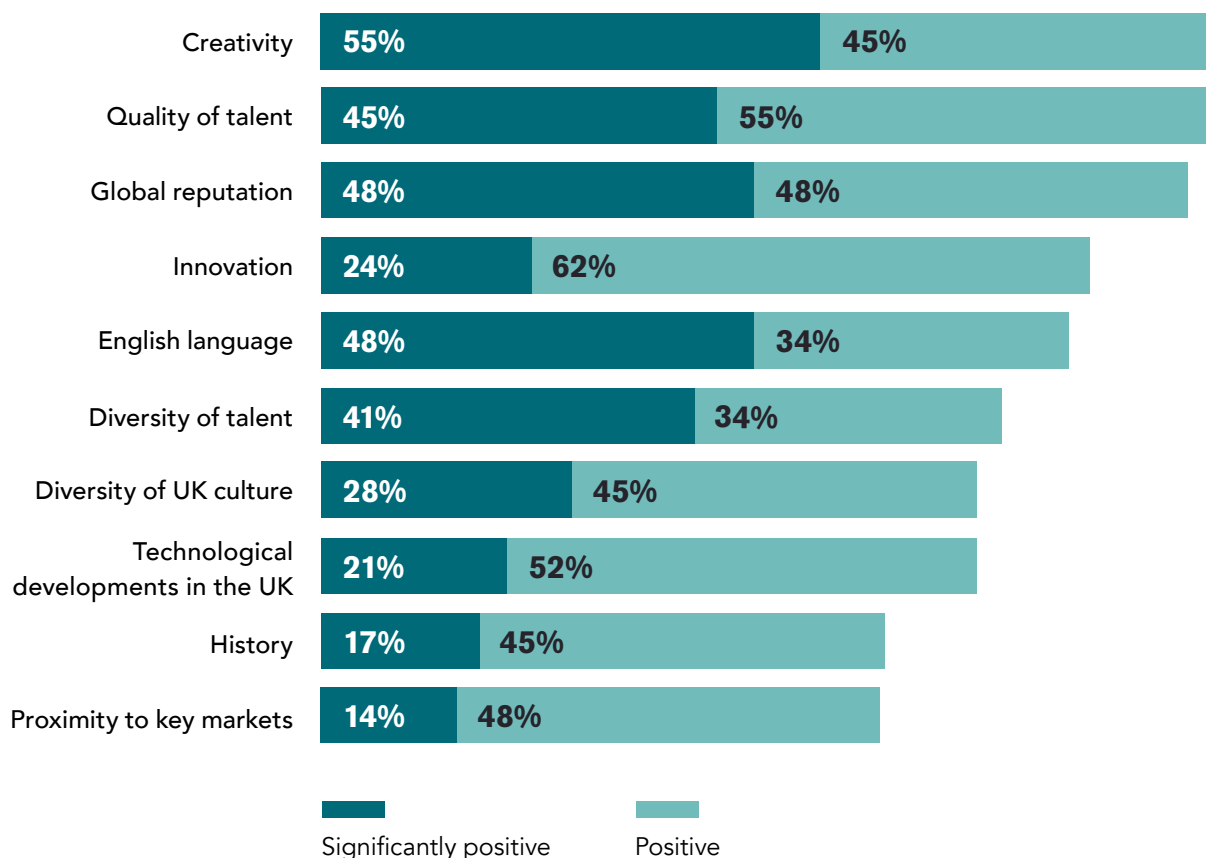
The latest ONS data shows that UK advertising service exports grew 15% between 2017 and 2018 (compared to the overall UK services export market which grew by 2% over the same period⁵), while the research conducted for this current report shows that **97% of respondents believe the UK to be a global leader of advertising services**. The recent success is therefore clear, so what are the key drivers behind the accelerated export growth rates and the perception of global leadership?

The survey shows that **creativity** is the most significant driver of UK advertising exports, followed by **quality of talent** and **global reputation**. In total, 96% of respondents consider all three to be positive drivers. Innovation is the fourth most common response, although this category has a noticeably lower proportion

of respondents identifying it as a 'significantly positive' driver.

Figure 3 (below) shows how the drivers of UK advertising export success compare to each other. Digging deeper, what do these drivers mean to the advertising industry and how are they related?

Figure 3: Drivers of UK advertising exports



⁵ "International trade in services" ons.gov.uk/businessindustryandtrade/internationaltrade/bulletins/internationaltradeinservices/2018

Driver 1: Exploring creativity

Creativity was identified as the most significant driver behind UK advertising export success, but what does creativity mean in the context of the advertising industry and what drives the UK's creative ability?

Qualitative interviews reveal creativity to be a highly subjective construct. For some, creativity represents the practical side of producing a strategic and sophisticated piece of content; for others, creativity is the innate talent of individuals with a true craft for producing original concepts. Creativity was also seen as the ability to imagine distinctive ideas, deliver sharp strategic thinking and challenge the norm in terms of communication style.

So, what drives the UK's creative ability?

Qualitative interviews show that **strong creativity is due to a combination of societal support for the arts and human talent.**

For the former (societal support), three key themes emerged: the UK's education system which encourages emerging talent to pursue creative careers; a liberal environment which allows bold ideas to flourish; and public support for the arts (ranging from tax reliefs⁶ to the provision of support entities such as the UKAEG). The cumulative impact of these means creativity in the UK is given the resources required to thrive.

For the latter (human talent), two key types were identified during the interviews: the *functional creatives* (those who are highly regarded due to their sharp technical skills set for the industry); and the *conceptual creatives* (those with a naturally creative mindset, who generate original and lateral ideas). How the UK grows and attracts both types of talent is explored in the *Exploring talent* section.

“ **The craft, the creativity and the planning element are things the UK have nailed more than any other country. What the UK is great at is big ideas.**

Interview participant

“ **You only have to look at the music industry to see how positively out of proportion the UK dominance in the creative industry is. The scale of what we can achieve versus our relative size continues to propel our global reputation.**

Interview participant

“ **Creativity is taking the tools around us and using them to create a piece of amazing content that people want to watch over and over.**

Interview participant

⁶ "Creative Industry tax reliefs"
[gov.uk/guidance/corporation-tax-creative-industry-tax-reliefs](https://www.gov.uk/guidance/corporation-tax-creative-industry-tax-reliefs)



Case Study

Cannes Lions: Festival of Creativity

The international advertising, media and associated creative industries meet every June in Cannes for the international advertising festival, Cannes Lions. It is the place where the world's best commercial creativity is reviewed and awarded by the world's most respected creative talent. Over the past decade there have been more than 300,000 award entries from around the globe. Of these, only around 3% per year have been awarded a 'Cannes Lion'.

In 2019, Cannes Lions announced they received over 30,000 award entries from 89 countries. The UK took home 90 awards including 16 Gold Lions and one Titanium Lion. Libresse's 'Viva La Vulva' campaign by UK agency AMVBBDO London won 13 Lions, including five Gold Lions and one Titanium Lion, making it the UK's most awarded campaign of the festival that year.

The 90 awards placed the UK advertising industry second only to the US. In comparison to other European countries, the UK amassed more awards than France and Spain combined.

In 2020, the UK agency adam&eveDDB London were awarded Regional Agency of the Decade for Europe, having previously been named Global Agency of the Year in 2014, 2015 and 2018.

Case Study



Exporting to Traditional Markets: Success stories from the US and EU

adam&eveDDB is a communications company founded in London. With a second office in New York, exporting activities are primarily driven from their hub in the UK.

adam&eveDDB put their exporting success down to the fact they can bring a fresh perspective and excellence in creativity to new markets through diverse talent, understanding and ambition. London is an adaptable hub across the continent and offers a multicultural team to address any client requirements. adam&eveDDB perceive flexible commercial models to be a key selling point when exporting services, due to the many nuances and different degrees of centralisation and control that are preferred across the world. The ability to offer a variety of models creates a more viable offering for non-UK based clients.

adam&eveDDB believe that creativity is the ability to deliver distinctive and fresh ideas, through approaching communications in a way that consistently challenges the norm. They believe the UK stands out because the service model is much more human and personal relative to other countries - the model is still professional and commercially successful, but the increased level of human relationships versus being predominantly transactional-based leads to higher quality partnerships and returning customers.

Covid-19 has meant adam&eveDDB are pivoting certain services and reimagining ideas, such as moving towards animation-based creatives. They are working closely with clients to build confidence and are slowly seeing the production arena opening again. Covid-19 has been in many ways an accelerant for change across the industry and in partnership with clients, adam&eveDDB is emerging into this new economic world armed with innovative and accelerated technical offerings.

Driver 2: Exploring talent

Quality of talent was identified as the second largest driver for UK advertising exports, which as identified above, consists of both functional and conceptual creatives. So, what makes UK talent stand out in the global advertising export market?

Functional creatives emerge as a result of the UK's previously mentioned societal structures, where the national curriculum *"helps engender an appreciation of human creativity and achievement"*⁷. Respondents noted that the UK education system actively encourages emerging talent to pursue creative careers, while providing a wide range of technical and creative skills upon entering the industry. Combined with a world-class education system, this allows top talent to flourish.

The latter (conceptual creatives) are due not only to the aforementioned homegrown talent, but also the UK's ability to attract top creative talent from overseas⁸. So, what attracts global talent to the UK?

As identified by Credos in the 2017 Advertising Pays 6 report⁹, the proportion of the advertising and marketing workforce in London arriving from abroad is three times as high as in New York. In other research, Credos found that non-British nationals account for an average of 17% of the UK overall workforce¹⁰.

Based on interviews with UKAEG members, London's cosmopolitan nature was identified as a key driver of international talent, meaning that quality talent attracts quality talent. As noted by an interviewee, *"no country is truly global, but the UK is perceived to be better than most at navigating*

cultural differences, with an ability to transcend and resonate across international borders through tapping into core human traits".

A more practical incentive for talent being drawn to the UK is the public investment and support for the arts in UK society, which may not be as prevalent in other countries.

The quality of talent available within the UK is clear, with over *"two-thirds of international advertising agencies basing their European headquarters in the capital"*¹¹. Recent examples of creative exports that support this are Downton Abbey (seen in over 100 countries), Adele (15 Grammy Awards) and the applauded British ex-chief design officer for Apple (Johnny Ives). These global successes attract and incentivise talent to join the UK's talent force, building on the wealth and maturity of talent in the industry. As noted by an interviewee, *"our expertise and access to talent in the UK puts us in a strong position to compete in creative fields on a world stage"*.

Therefore, it is partially the UK's global reputation for highly skilled talent which attracts more highly skilled talent from across the globe. This reinforces a positive cycle whereby highly skilled global talent is honed in the UK, in turn boosting the UK's global reputation for creativity.

7 "Creativity and the Arts in the Curriculum" nasuwt.org.uk/uploads/assets/uploaded/3535be2c-801c-46cb-b4410810472b52a3.pdf

8 "Global talent report" creativeindustriesfederation.com/sites/default/files/2017-11/GlobalTalent_v16.pdf

9 "Advertising Pays 6: World class talent, world class advertising" adassoc.org.uk/credos/value-advertising-uks-culture-media-sport-2015

10 The Advertising Association Exports Report 2019 'Industry report' adassoc.org.uk/policy-areas/uk-advertising-exports-report-2019/#:~:text=The%20UK%20ad%20industry%20now,largest%20trade%20surplus%20in%20Europe.

11 "Creative nation, A guide to the UK's world-leading creatives" assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/859840/Creative-nation-guide-to-the-UKs-world-leading-creative-industries.pdf

“ The arts sector is very strong due in part to the support from the education system which actively encourages emerging talent to undertake creative careers.

Interview participant

“ The diverse talent pool in the UK leads to quality conceptual creatives who have an ability to tap into core human traits, resonating globally.

Interview participant

“ The British have the natural ability to take a thin thread of a joke and weave it through a campaign and aren't culturally constrained in the way other countries may be.

Interview participant

“ The UK education system gives permission to pursue creativity as a career as an acceptable pathway compared to other countries.

Interview participant

Driver 3: Exploring global reputation

The UK was ranked number two on the **Soft Power Index** in 2019¹², reflecting its global influence in culture and education. In 2018 the UK was ranked first and in 2017 it was again ranked second. These scores show the consistency of the UK's influence around the world.

In terms of global advertising, influence depends on reputation, which depends on producing consistently high-quality outputs, which is the result of talented creators. So how does this reputation transcend globally and what impact may that have on the advertising export market?

Many interviewees report that the UK has a strong reputation in both international and domestic creative awards (e.g. winning more Cannes Lions than any other European country and holding prestigious ceremonies such as the BAFTAs), while the scale of the UK's creative talent versus the relative size of the country continues to enhance its global creative reputation.

It was noted by the CIC that *"The UK is seen by trend forecasters as a key market; if trends do not take root in the UK, they are unlikely to be considered truly global"*¹³. This supports the assertion that the UK has the ability to influence global narratives.

From a practical perspective, the UK is seen internationally as a desirable spot for shooting content due to the vast selection of terrain available. One interviewee stated that they *"recently shot a campaign in the UK which faithfully depicted both India and Vietnam"*. Additionally, the ease of access to Europe was

identified as another factor behind the UK being a global advertising hub. It will therefore be important to see how this perception changes due to Brexit (identified as the key weakness of the UK's global soft power¹⁴).

The creative industries often rely on word-of-mouth for new business, so the concept of reputation is deemed important to interviewees, while the perception of the UK as a creative powerhouse helps to bolster individual company reputations further. This seems to be paying off - one interviewee summarised the impact of the UK's global reputation by explaining that *"our international clients actively find a way around the logistical challenges of working with UK companies, to ensure they have the best chance at creating globally relevant work"*.

However, these logistical challenges are likely to increase after the UK leaves the EU. If UK industries want to maintain and grow exports, the UK Government will need to provide clear guidance and assistance. Trade bodies and other organisations (e.g. the AA and the UKAEG) will also be vital for assisting companies during this time. *The barriers to UK advertising export growth* section discusses Brexit in more detail. Additionally, policy considerations can be found in *How Government policy can help power up UK advertising exports*.

¹² The Soft Power 30, 2010. softpower30.com

¹³ Five Reasons to Choose UK Creative Industries, Creative Industries Council. thecreativeindustries.co.uk/uk-creative-overview/why-the-uk

¹⁴ The Soft Power 30, 2010. softpower30.com



Case Study

Sustaining Excellence: Maintaining quality exports

Atomic London is an independent creative agency. Founded in 2012, four ex-multinational agency employees set up the business to develop an integrated agency focusing on brand and activation communications, working as one. Atomic now work with a mix of global and domestic clients including Star Alliance, Hilton and Airbus. They are able to offer a centralised global model for clients, resulting in 40% of their revenues being internationally driven, which has turned a small start-up into a multi-million-pound venture over eight years. With international clients, Atomic believe their success is down to consistently sustaining excellence in everything they do and the reputation that brings, thereby creating the highest quality ideas across the entire customer journey.

Covid-19 has impacted Atomic similarly to other businesses in the advertising industry. The key challenge noted was the lack of face-to-face meetings with international clients; however from a positive perspective, the current pool of talent on the job market is stronger than normal providing increased opportunities to hire exceptional individuals.

How the key drivers of UK advertising exports influence each other

This research has identified the top three drivers for why the UK is excelling in the advertising export market - creativity, quality of talent and global reputation.

couldn't look at any in isolation. For example, without talent you can't have the creativity to obtain a global reputation, but without a global reputation you can't attract the quality of talent required to produce world class creativity.

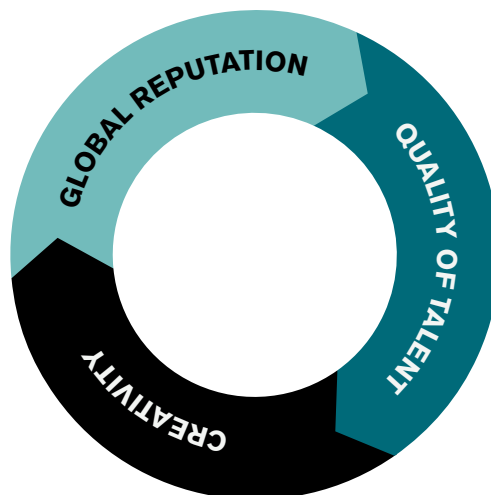
It is also clear that each driver in turn drives the others, with many companies articulating that you

Figure 4: Export drivers

The UK's **global reputation** attracts high quality talent from around the world

The **quality of talent** enables the UK to become more creative by blending ideas across cultures

The UK's strong **creativity** leads to award winning work which fuels the UK's global reputation



Additional drivers of UK advertising export growth

While creativity, talent and global reputation are collectively considered to be the key drivers of UK advertising success, additional factors play a significant role in driving UK advertising exports.

One of these factors is the global use of the English language. This makes it easier for people from all over the world to work both in and with the UK, resulting in a cosmopolitan culture which is attractive to the international community. Although the UK's talent pool in the advertising industry draws on nationalities from across the globe (with surveyed companies speaking over four languages fluently on average), the correlation shown in **Figure 5** (below) is relatively weak between language fluency and successfully exporting to that market.

This implies that lacking the language skills of a specific country does not necessarily inhibit trade, which in part is due to the international use and reach of the English language.

Figure 5 (below) reviews the overall proportion of companies exporting to a specific country versus the overall proportion of companies with staff who could speak the local language. Given that the proportion of respondents who export to a specific country are not necessarily the same respondents who speak the language, these statistics have been examined at a company level in **Figure 6** (next page).

Figure 5: Where do companies export to and what languages do they speak?

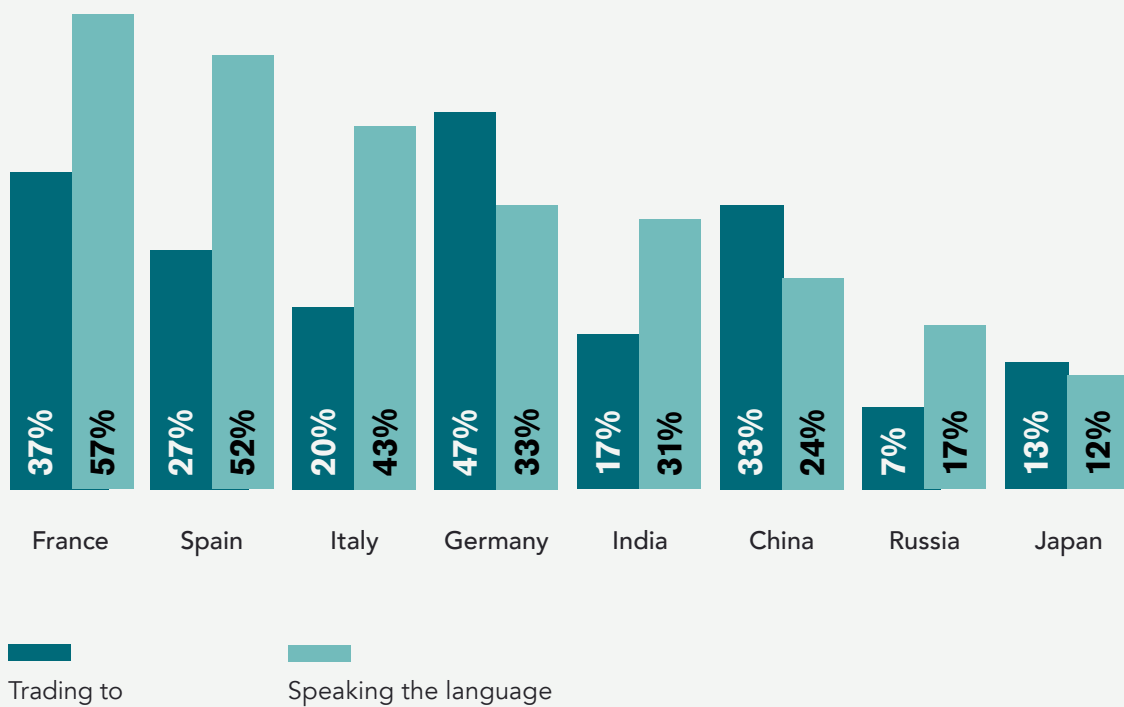
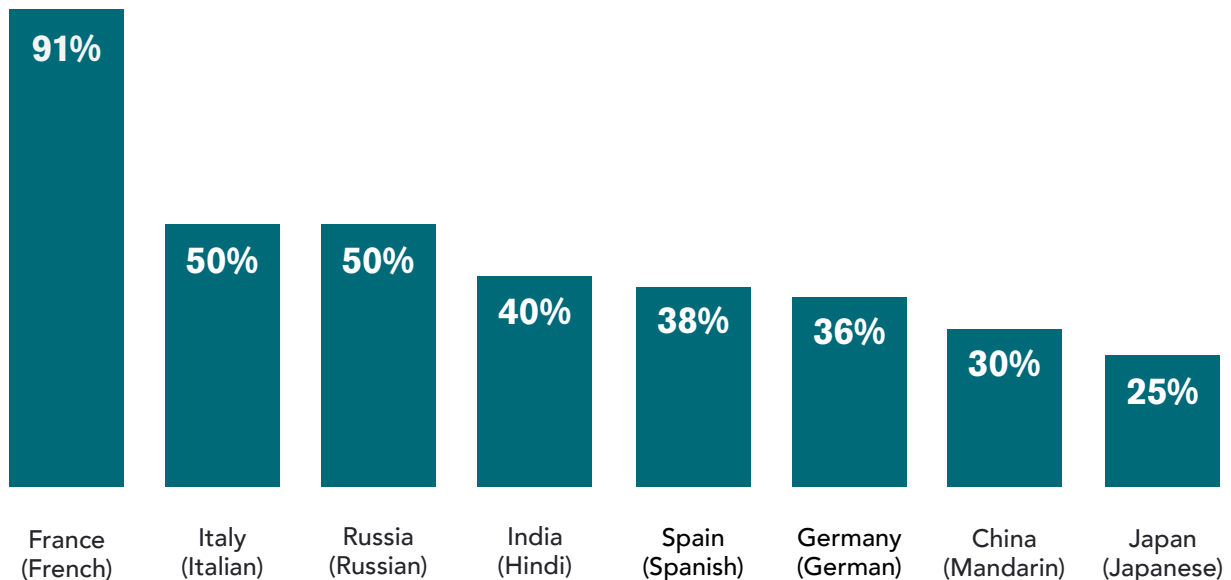


Figure 6 (below) shows that 91% of companies exporting to France had a French speaker, followed by a significant drop at 50% for both Italy and Russia. Additionally, 40% of companies exporting to India had a native speaker, while Spain and Germany had speakers 38% and 36% of the time respectively. The Asian countries showed the least correlation with 30% of companies exporting to China having a Mandarin speaker and 25% of countries exporting to Japan having a Japanese speaker.

Overall, these findings support **Figure 5**, whereby no significant correlation was noted between a company's language skills and the countries to which their services were being exported. This corroborates that although knowing the language of your potential export market may have cultural benefits, it has no identifiable correlation with export trading ability. This further signifies the strength of the English language across geographically diverse business endeavours.

Figure 6: Companies with the language skills for the country they export to



Another driver is the UK's geographical location.

The UK transcends time zones with Asia (in the morning) and America (in the evening), as well as being similar to the rest of Europe. Having Europe on the UK's doorstep also provides very good access to key markets. The iconic nature of London's landmarks was noted as another driving factor for international clients.

Finally, the size and scale of the UK was seen to play a positive role in how the advertising industry is structured. It was noted that *"talent becomes highly specialised within countries where the advertising market is bigger (e.g. the US), whereas those with a smaller market are more generalist (e.g. Australia), but we occupy a balanced middle ground"*,

meaning the UK is big enough to have specialised talent, but small enough that all specialisms work closely together.

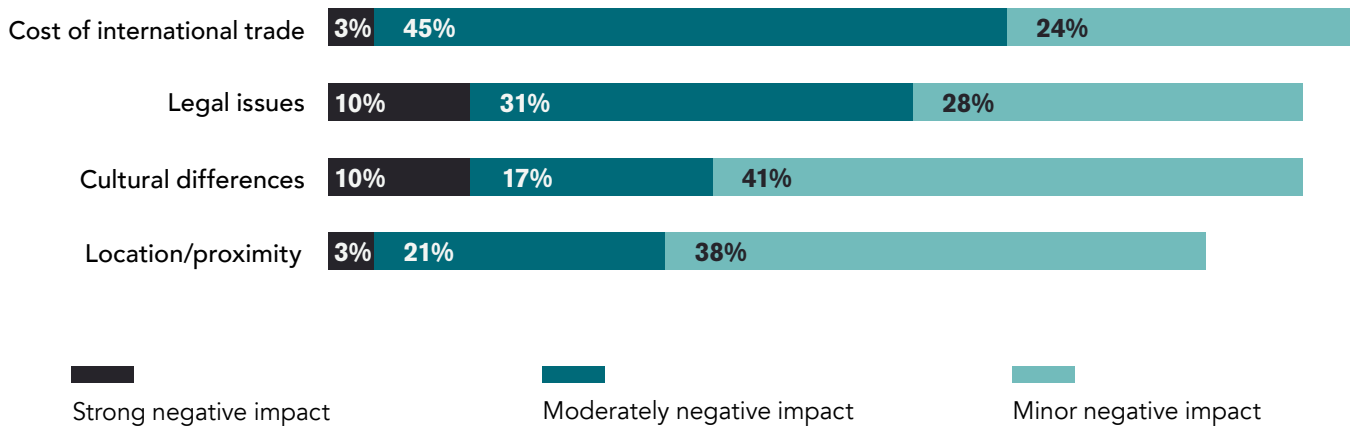
The UK has a history of successfully operating on the global stage and is seen as well placed for centralised companies who want to get a globally relevant, consistent and successful message out at the right price - it was noted that international companies *"get more for their money"* from the UK versus the US. For companies that are not centralised, the UK offers a diverse melting pot of talent and skill sets, who can *"take a global theme and add a local perspective"*.

BARRIERS TO UK ADVERTISING EXPORT GROWTH

The reasons behind the UK's continuing success in advertising exports have been explored. However, this research also identified key barriers to exporting within the UK advertising industry.

Figure 7 (below) shows that the cost of international trade presents the biggest challenge to exporting. In total, **72% report that the cost of international trade has a negative impact on UK businesses' ability to successfully trade internationally** (although only 3% perceive this to be *strongly negative*). The logistical costs of setting up operations abroad, the additional opportunity cost around investing time in foreign business development and the need to competitively price services to match local suppliers all play a key role in why cost is seen to be the biggest barrier to trading overseas.

Figure 7: Barriers to UK advertising exports



This is followed by **69% of respondents saying that legal issues have an impact on their ability to export**, noting that legal and regulatory risks increase due to the in-depth knowledge required to cover relevant laws and regulations. Legal issues have the highest proportion of *strongly negative* responses (10%). This shows that the complexity of legal issues (or the perception of them) can create a significant barrier to exporting.

Similarly, **69% said cultural differences have a negative impact**, with 10% also perceiving there to be a *strongly negative* impact. However, far fewer

report this as *moderately negative*, showing the polarising nature of this attribute. *The next section delves into this by exploring what companies mean by 'cultural differences'.*

The fourth largest barrier is **the issue of proximity, which 62% identify as a challenge**. However, advances in video technology will likely reduce the need for physical offices and in-person meetings, meaning aspects of this challenge should naturally decrease over time. *This is explored further in the Covid-19 section of this report.*



Case study

Understanding the barriers: Risk in the export market

Umbrella have been operating for 17 years, where risk management within advertising campaigns has been their core service. They take on the financial risks around campaigns and offset these with insurance policies. For example, a company with a free voucher campaign will determine the consumer redemption rate they could realistically absorb, then Umbrella will take on the financial risk for any redemption rate higher than this. They are currently working on over 450 projects per annum, including marketing campaigns for Kellogg's.

The work that Umbrella performs carries significant legal and regulatory risk, meaning exporting their services requires in-depth knowledge of local sanctions and laws. Due to the legal language required, a grounding in the local language (i.e. English) was key for the company and consequently they had an office in Australia for seven years. However, the reliance on local staff and the time difference presented difficulties and a decision was ultimately made to close the office. Umbrella are looking to continue exporting their services, now with the aim of finding English speakers in overseas brand-side agencies to help open doors. This could enable Umbrella to develop an export strategy that expands beyond English speaking nations.

Umbrella are confident that with the right tools and support, they will be able to manage exporting risks effectively, enabling them to successfully replicate their services worldwide.

Exploring cultural differences

The ability to culturally adapt to both local values and ways of working were consistently identified as key requirements for export success. Throughout the interviews, it emerged that many foreign markets have distinctive and unique ways of working. Typically, these can only be identified through integrating an employee into that culture, hiring a local representative, or joining a knowledgeable market network like the UKAEG.

For example, one interviewee referenced that pitching for a project in North Africa restarts every year, as the concept of a long-running business relationship is not the business and social norm.

Another interviewee discussed the concept of 'tender bonds' in the Middle East, whereby to pitch on a project you have to put a proportion of the potential project revenues in escrow, which is then returned if you do not win. If not managed appropriately this can lead to cash flow challenges and lost business opportunities.

Case study

HeyHuman**Exporting to Emerging Markets:
Accomplishments in smaller markets**

HeyHuman is a marketing agency based in London with around 50 employees. They started up six years ago and work primarily with blue chip FMCG and technology clients, with 50% of their revenues coming from the export market. What really sets them apart from other companies is that 20% of their clientele are based in Africa; primarily Nigeria, Kenya and Ghana. A reason for HeyHuman's success in Africa is the way they familiarise themselves with the differing markets. They understand the importance of local insight and getting to know the mechanics of the industry. HeyHuman described themselves as having "a global model but with a local perspective". An example given of the importance of local nuances was around the marketing of beer. In most African countries it is important for people to see beers being served with the cap on, to show they are hygienic and have not been tampered with. This is one of the many seemingly trivial but important insights HeyHuman have picked up from their time working in the market.

When asked about how to initially enter these markets, HeyHuman believed a strong method was the "piggyback model", whereby a company continues to work with existing clients but extends the relationship to new markets. The rationale provided for this method was that "you've already got a client relationship, they must value your creativity, so you can get further into the market with their help". HeyHuman also believe that having your feet on the ground in new markets is an important way to develop your understanding of the culture and environment at these early stages. Talent in UK agencies is valued and often helps in differentiating from local agencies. This means that if you can develop a strong enough understanding of the local market, UK talent will appeal to local advertisers. HeyHuman believe this reputation is due to the strong creativity and planning skills within UK advertising companies.

The ability to be flexible depending on the country was discussed as being a key attribute for navigating cultural differences, with an interviewee stating *"I will act very differently in front of an Arab audience compared to a Chinese audience or an American audience - ultimately you have to adhere to their culture"*. Clients want British talent, but *"they want it delivered in their cultural wrapping"*.

Cultural and business nuances can be found across all international markets, however in certain cases, these differing market models present significant challenges for companies looking to export. The most prominent example mentioned during the interviews was China.

For the companies that are currently exporting to China, the key issue was the significance of business relationships in Chinese culture. For example, a company requires a relationship at a senior level with the Chinese Government before they are able to conduct business. For one company curating the social media content for an airline client, they required not only consent from the Government, but also permission from Air China (as the Chinese

affiliate company within the client's airline Group). Other companies reported the differences in what a healthy working relationship looks like in China, for example differing interpretations of fair and appropriate payment terms and what is acceptable in regard to 'scope creep' (performing work beyond the initial brief). As one interviewee stated, *"If companies want to be successful in a polarising cultural market such as China, they need to be prepared to put in the hard yards."*

While larger businesses have their own global networks to call upon, smaller companies often do not, meaning that cultural differences can be more challenging. One way an interviewee worked around this was by joining an external international network, which provides on-the-ground representatives to help navigate local markets. Keeping a business creatively authentic while adapting to a different culture can be challenging, but can result in satisfying relationships with international customers and repeat business. The ability to navigate the unknown cultural and legal landscape of potential export markets is a key foundation to building strong relationships and growing exports.



Case study

Strengthening Relationships: Pivoting foreign opportunities

Crowd is a global marketing and performance-based agency, headquartered in Bournemouth. They have been in business for eight years and during that time have established successful offices around the globe, including five in China. Through this expansion, Crowd have built a multinational team of 32 made up of 21 nationalities who speak 16 languages. They work locally but pride themselves on thinking globally, while their employee mix brings an interesting insight into different cultures.

Crowd believe that their success in exporting British creativity is mainly down to how they promote their services via networking while abroad. While performing a project in Dubai, they won an additional contract which they wouldn't have won without being there in person. They continue working with these companies by identifying client needs and seeing where they could assist - for example, showing foreign companies how to work in other markets (e.g. China) and helping with the relevant licenses and legal requirements.

To gain this knowledge around China originally, Crowd's first step was to employ a Chinese national living in the UK. This employee now lives out in China building up the brand's presence while winning work in the Chinese market.

Crowd's success in the export market mirrors that of companies based in London, showing that participation in the UK export market is not solely reserved for those residing in the capital.



Case study

International Legacy: Creating long lasting relationships with global clients

Locate Productions are a service production company focusing on campaigns such as 'This Girl Can', HSBC, 'NHS at 70', Jaguar XE and Land Rover Discovery. From an export perspective, they primarily service clients coming from Europe to shoot in the UK and clients from the US wanting to shoot in the UK or Europe. They have approximately 10 key clients, of which six are based overseas and all of whom were gained from recommendations. Their work is therefore heavily word-of-mouth and reputation led; the number of projects they have won via marketing their services is under 10. They nurture relationships carefully and provide a high-quality service, resulting in loyal and recurring international customers. Their focus is therefore on organic growth as opposed to new business acquisition.

Their main barrier to international trade is Brexit. Much of their export business services the US, who valued the UK's free movement around Europe (if Locate need to shoot in France for a day, historically there have been no legal or physical barriers to this). Time will tell as to whether clients will shift business to another EU country.

Covid-19 has brought both challenges and opportunities. From a challenge perspective, companies are concerned about commissioning a large shoot in case these are cancelled, meaning demand is smaller than normal for production companies such as Locate. However, many UK-based production companies which normally shoot abroad may turn to UK companies given the travel restrictions, meaning Locate see an opportunity to increase their domestic revenues.

Additional barriers to exporting

It is no surprise that **uncertainty around the UK's departure from the EU remains a major source of concern for many advertising exporters**, with some diversion of trade from EU countries being seen as inevitable. However, research shows that much of the demand for UK advertising exports is driven by the US and China¹⁵, so temporarily re-orientating export strategies away from the EU could help to reduce the impact of Brexit. However, it is worth noting that services companies (including advertising) are not likely to face tariffs like goods companies will. At the current time, this makes it unclear what the market effect will be on advertising.

Other barriers were noted where **companies had not taken the time to understand the market well enough or to thoroughly research the competition**, thinking they had *"all the answers before finding out what the questions were"*. Some noted that they needed additional resources to extend their reach and therefore had not had the time to focus on export growth opportunities. A larger company stated the need to offer something tangibly different to the local suppliers, while others

stated the need for more exporting experiences before they would consider their endeavours to be successful. Across these, two key additional themes emerged; firstly, knowing how to source the necessary contacts; and secondly, the perception that being a smaller company would be a barrier to successful exporting.

Sourcing the necessary contacts meant the ability to identify potential business partners and potential customers, both of which were noted as stumbling blocks to entering the export market. Potential solutions that emerged were attending embassy fairs, forming a support network with other exporters and prioritising existing clients (who may introduce new markets due to the value placed on the current services being provided).

Looking at the second theme (the impact of company size), the survey provided insights into the exporting behaviours of both small and large companies. So what do the statistics show about small advertising companies within the international trading market, and is being small a barrier in itself?

¹⁵ "Export ready: Market size and exporting" sig.s.cim.co.uk/media/4027/cim-export-ready-market-size-and-exporting-study-with-pwc.pdf.

“ Meeting the right people -
Who do we pitch ourselves to?
How do we do that research?

Interview participant

“ Potentially leaving the
EU and the subsequent
cost of shooting in the UK.

Interview participant

“ Inability to find strong local
talent at a cost point that
mirrors our UK expectations
at budget stage.

Interview participant

“ Smaller company means
fewer staff are able to work
on building a portfolio.

Interview participant

“ How do you know what
opportunities are out there?
Lack of knowledge of how
to harvest leads abroad.

Interview participant

“ We need to understand how to
use our skills but at the same
time fitting in seamlessly with
their teams and local agencies.

Interview participant

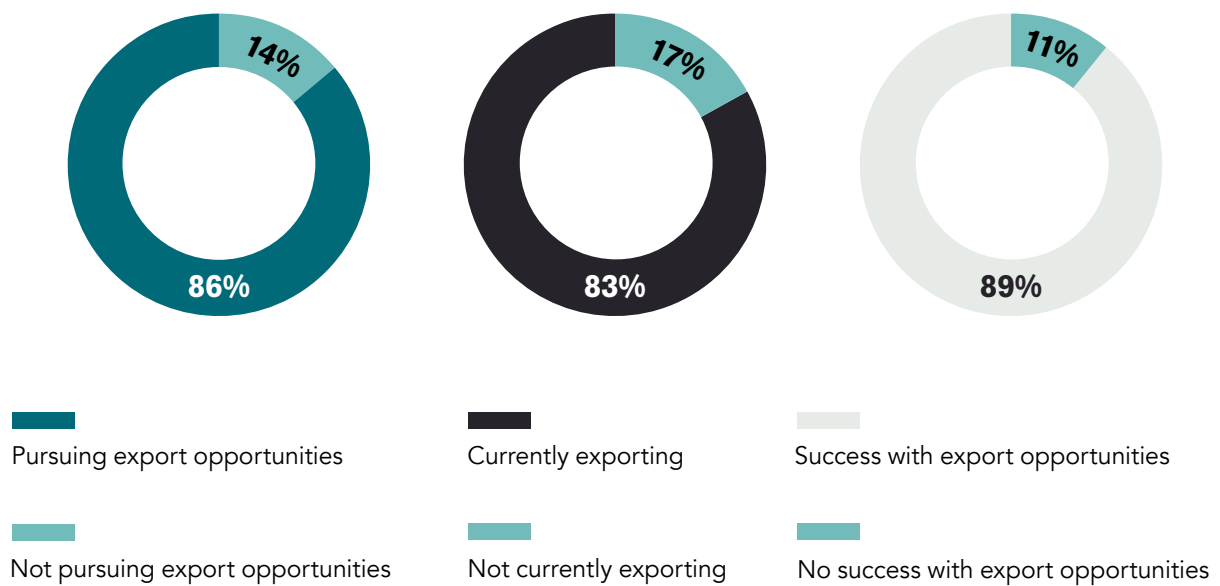
The impact of company size

Consistent with existing UK business-size definitions, the respondent companies in this study have been categorised as small (0-49 employees), medium (50-249 employees) or large (250+ employees).

As shown in **Figure 8** (below), 86% of small businesses are open to the idea of exporting, 83% are already exporting and 89% of those who are currently exporting are experiencing success. These strong results show that young and agile companies are taking advantage of the shifting technological trade landscape to participate and service demand in the international market.

These figures also serve to corroborate that international trade is not only reserved for large conglomerates, but can be a way for advertising businesses of all sizes to expand.

Figure 8. Exporting activities of small companies (0-49 employees)



“ Founded in 2012, we now work with agencies in every corner of the globe. Export revenues make up 40% of our total income.

Interview participant

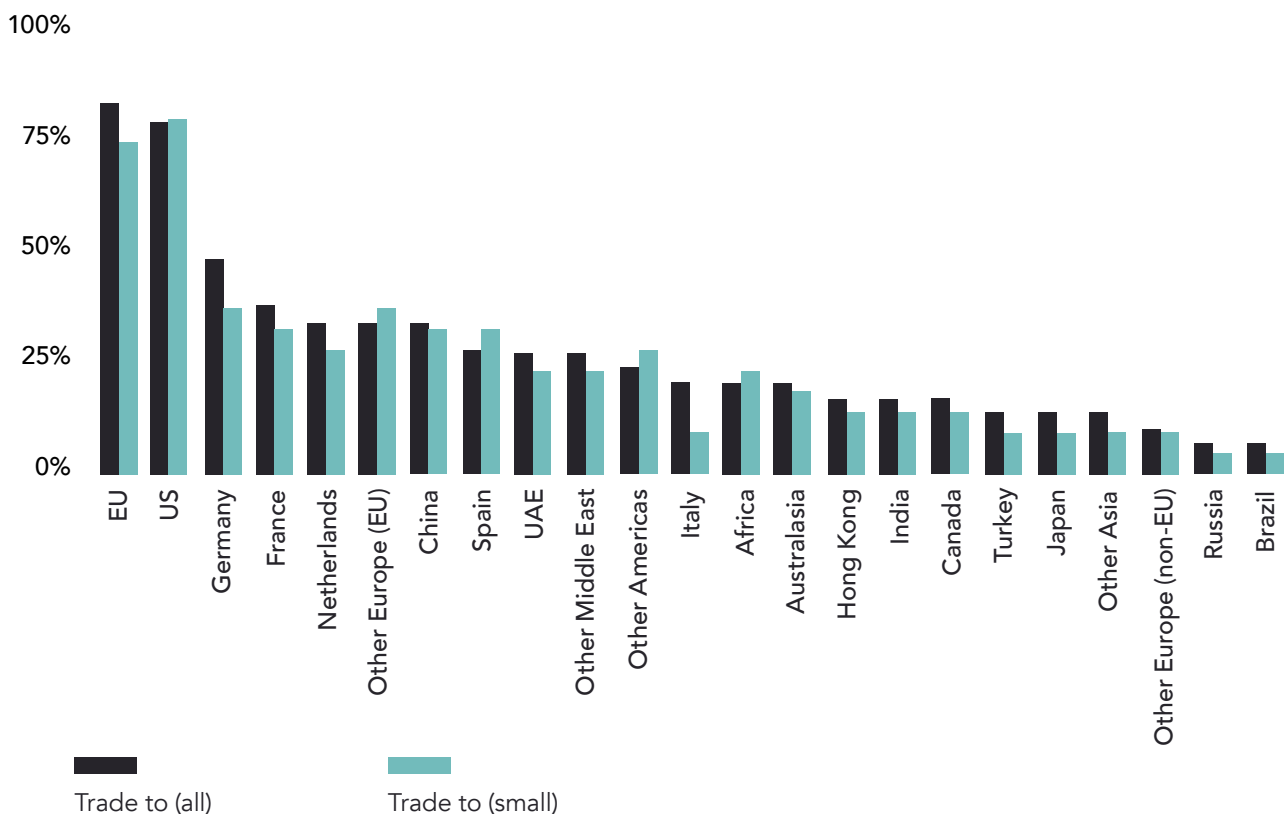
“ We have four employees and over 90% of our revenues are from exported services.

Interview participant

The majority of respondents are currently exporting their services around the world. To understand whether company size makes a difference to the accessibility of international markets, the data has been split by country, the trading governance structure (EU/non-EU) and the UK company size in **Figure 9** (below).

Figure 9 shows that the majority of respondents export to both the EU (81%) and the US (77%). Individual EU countries also feature highly, with Germany (47%), France (37%) and Netherlands (33%) being the most common. A third (33%) of survey respondents also export advertising services to mainland China. This is consistent with previous research¹⁶ conducted by Credos on the destination of UK advertising exports, though percentages vary due to differing samples.

Figure 9: Countries exported to by company size



Spain is a more common export destination for smaller companies (32%), versus the overall company average (27%), but Italy is significantly less common for small companies (9%) versus the overall company average (20%).

The popularity of an export market does not vary significantly when factoring in company sizes, as broadly the same top 10 markets appear across the board. However, 15% fewer small companies export to each country on average,

which could reflect the challenges discussed above. Certain countries deviate from this trend (such as Spain), so taking into consideration that small companies proportionally export more than average to four of the top ten countries (including the US), **company size is determined to have minimal bearing on the ability to export**. This means that overseas customer acquisition is within reach for most UK advertising companies, regardless of size, industry or language abilities.

¹⁶ The Advertising Association Exports Report 2019 'Industry report'. adassoc.org.uk/policy-areas/uk-advertising-exports-report-2019/#:~:text=The%20UK%20ad%20industry%20now,largest%20trade%20surplus%20in%20Europe

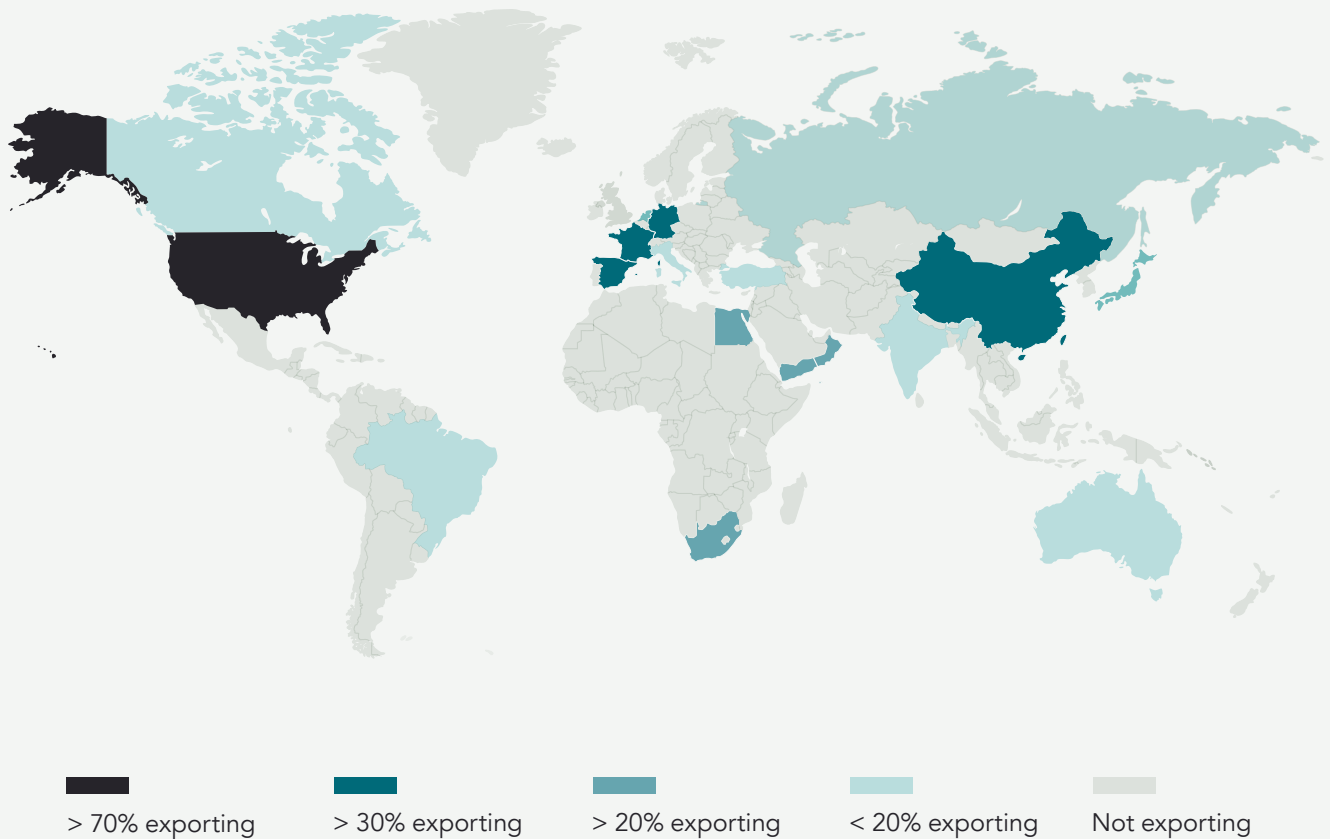
The map in **Figure 10** (below) visually identifies the worldwide export market hotspots for UK advertising services from small companies, highlighting how these UK exports are reaching across the globe. This is the same data as in **Figure 9**.

“ We've noticed a trend in interest from abroad so now is a good time to relook at our export investment and strategy.

Anon, Survey participant

Figure 10: Where smaller companies are exporting to

This map reflects where small companies in the survey are exporting to. Any groupings from Figure 9 referring to 'Other' have been excluded.





Case study

Never too Small:

Smaller companies prevailing in the export markets

Madam Films was founded in 2012 and currently has four members of staff. Six years ago the company pivoted away from production into production services, meaning they are an on-the-ground production partner providing full live action film and stills production services from sourcing locations to providing full production set crews covered by the required insurances and permits. Despite being a small outfit, service exports make up 90% of their revenues, through acting as the production partner for their clients requiring local expertise in the UK. They concentrate on selling their strengths to the global market and utilise their access to A-list talent. They credit their significant revenue growth and above average pitch-win ratio to their change in strategy.

Madam's key barrier for growth is the limited time that employees have to build new opportunities, however with 45% of projects being with US clients and 25% Egyptian, their global approach is currently proving fruitful. PR, sales trips & events help to build their portfolio and market presence, while a local Madam Films representative helps to grow their market in the US. Their Egyptian business has been supported by JWT Cairo and has most notably included shoots with Egyptian football star Mo Salah.

Covid-19 has led to continual change globally, where companies such as Madam Films who rely heavily on overseas companies coming to shoot their productions in the UK and being able to attend in person have been affected by the travel restrictions put in place by government. Recent changes around travel exemptions for key personnel and the ability to provide a remote production using technical solutions have mitigated some of these circumstances. At the publishing date of this reports, export projects have returned and countries are opening up and commencing trade, albeit at a reduced level.

EXPORTING IN THE WAKE OF COVID-19

PwC's March 2020 Global Economy Watch report¹⁷ concludes that the impact of Covid-19 on the UK export market shows how truly integrated the global economy now is. Service exports in the three months leading up to May 2020 fell by £28.7 billion to £54.2 billion¹⁸, with 74% of exporting businesses reporting fewer exports than normal. Transport restrictions due to Covid-19 were noted as the main challenge for 36% of exporting businesses across all industries.

The survey projections support these overall market findings, with **Figure 11** (below) showing that **91% of advertising companies believe they will be negatively impacted by Covid-19**, including 58% saying it will be a *significantly negative* impact. Overall, 61% said this will be due to a change in demand as opposed to supply as seen in **Figure 12** (below), implying that many export customers and targets are in Covid-19 hibernation.

Some businesses however have seen areas of growth in their export revenue, with **22% of companies saying they have seen one of their exporting revenue streams increase since Covid-19**, due to either a swell in demand or an ability to pivot and supply new services.

Figure 11:
Impact of Covid-19 on projected revenues

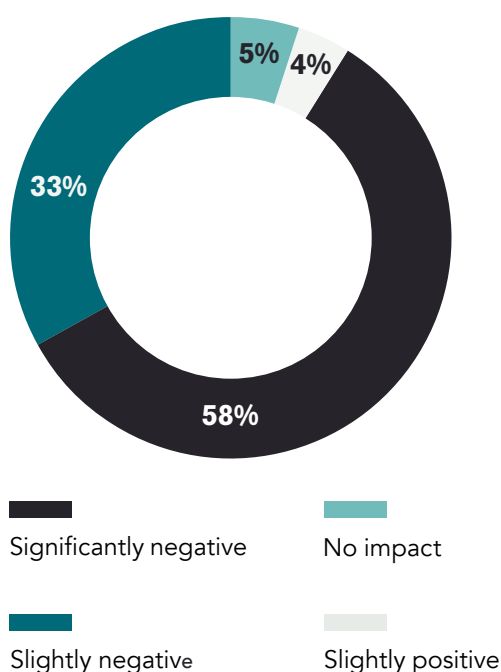
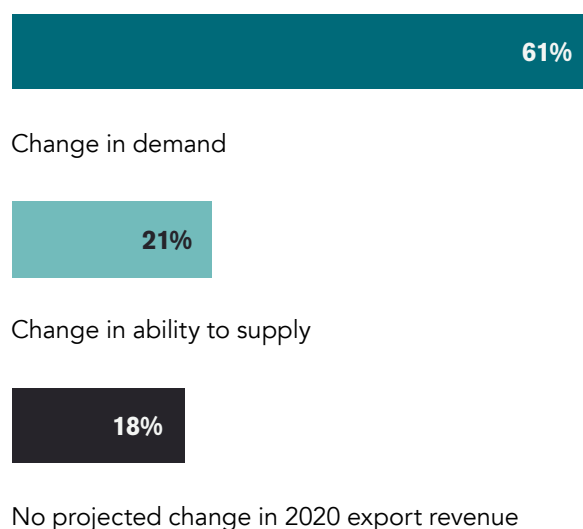


Figure 12:
Reasons for impacted revenues



¹⁷ PwC's March 2020 Global Economy Watch report [pwc.com/gx/en/issues/economy/global-economy-watch.html](https://www.pwc.com/gx/en/issues/economy/global-economy-watch.html)

¹⁸ *UK trade: May 2020* ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/may2020

The challenges faced by businesses due to Covid-19 are numerous. Budgets have been frozen globally for some, operations overseas have been halted for others and some have stated that their market has entirely collapsed.

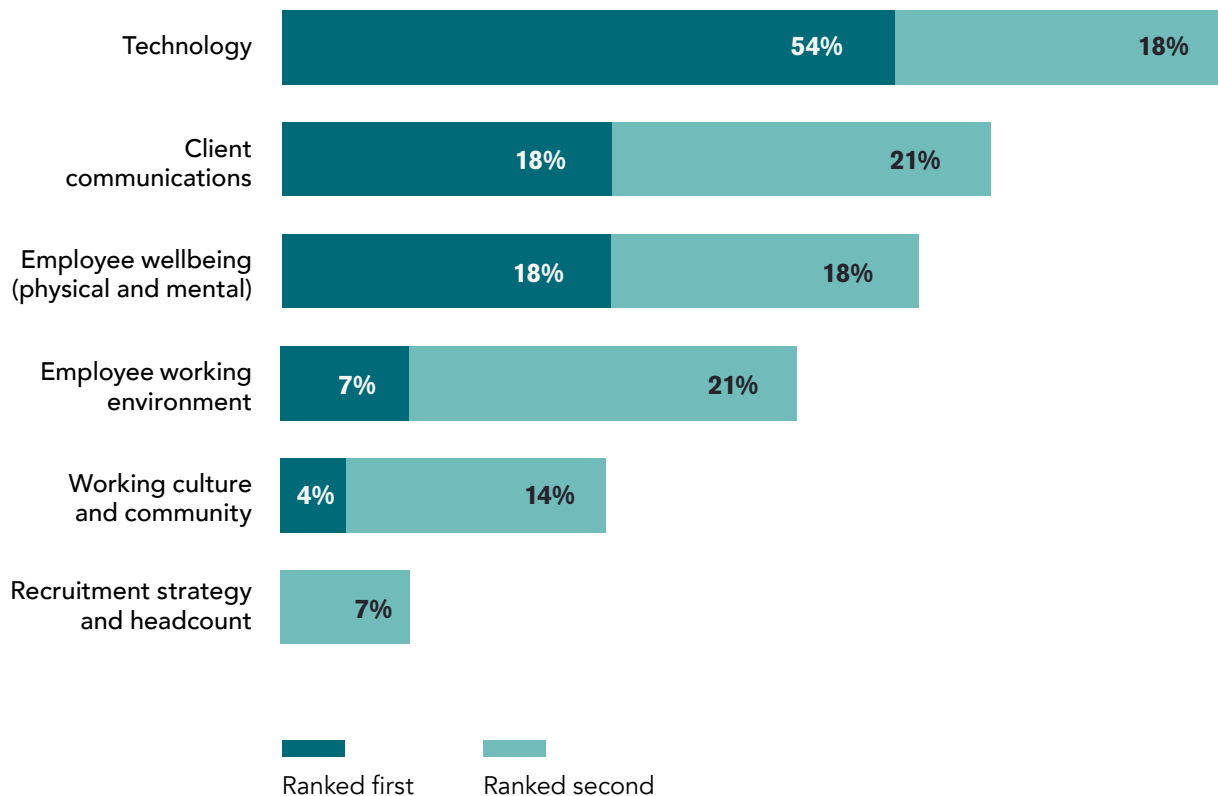
In order to maintain some level of export operations during Covid-19, the most important factor identified was technology as shown in **Figure 13** (below). 54% of survey participants ranked this factor first. This means the ability to continue operating digitally, as well as being able to create innovative and technically driven solutions to service customers and targets.

However, *the Drivers of UK advertising export success* section showed that innovation (which includes technological innovation) is not seen as a key driver of UK advertising exports. This suggests that technological innovation should be a key agenda item for the UK advertising industry moving forward.

Client communication (which 18% of survey participants ranked first) was the second most important adjustment during Covid-19, showing that investing in customer relations is still a key priority regardless of economic conditions.

Employee wellbeing (which 18% of survey participants also ranked first) was the third most important factor, given the need for employee engagement and the associated link to productivity.

Figure 13:
Importance of adjustments made during Covid-19 to continue exporting operations



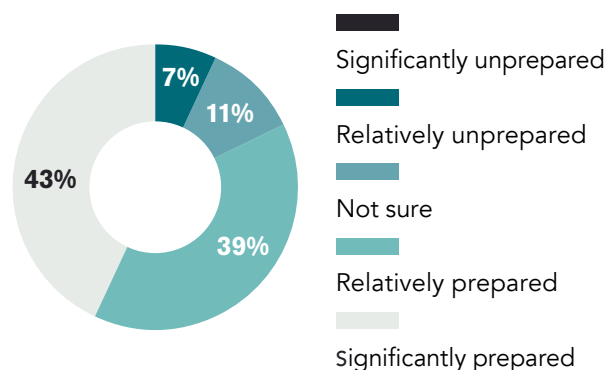
How prepared were companies during Covid-19?

During Covid-19, most companies surveyed were prepared with the necessary technology and infrastructure to work from home. **Figure 14** (right) shows that 43% of companies said they were *significantly prepared* and 39% of companies said they were *relatively prepared*. No company felt they were *significantly un-prepared*.

Given that **22% of companies stated at least one revenue stream increased during Covid-19** and 5% anticipated that their overall export revenue projections for the coming year would increase, further analysis was performed over whether being prepared had any correlation to positive financial projections.

Figure 15 (below) shows that being prepared did not strongly correlate with positive projected revenues, implying that the impact of Covid-19 could not be mitigated simply through preparation. However, it is worth noting that the 5% of companies that projected a positive revenue impact were in the 43% of companies who were *significantly prepared*. This shows that being prepared does not necessarily mitigate the impact of future economic events on revenues, but to have any chance at sustaining revenue or achieving growth when faced with the unexpected, preparation is key.

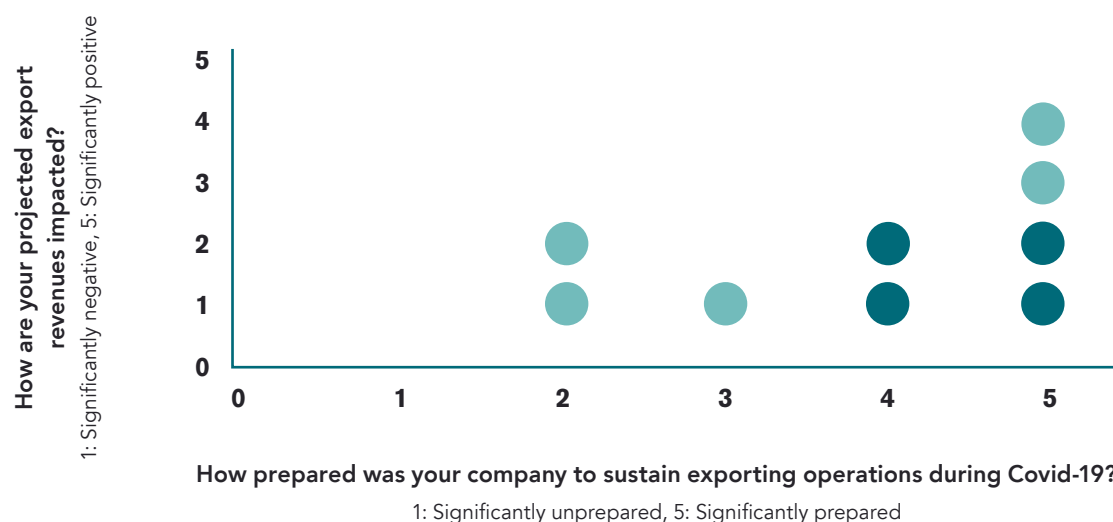
Figure 14: How prepared was your company to sustain exporting operations during Covid-19?



Many businesses pivoted their service messaging due to Covid-19, while others have been helping clients re-imagine how they can operate in this new landscape. Some have moved into new online platforms (e.g. entering the virtual events market) and nearly all have shifted to remote meetings and events rather than in-person.

It is too soon to quantify with any confidence the potential long-term societal and business impacts of the virus, but the pandemic has opened up the possibility of new revenue models and ways to engage with clients. Covid-19 has forced changes between buyers and sellers that could support future growth, as evidenced by the ways some companies in the advertising industry are re-orientating both their propositions and content in response to the changing economic landscape.

Figure 15: Comparing preparedness with projected revenues
The darker the spot the more companies falling into that bucket. If these attributes were correlated, there would be dark dots on 1-1,2-2, 3-2 etc.



“ There are some face-to-face events that will never come back. I think the days of global sales conferences are gone.

Interview participant

“ Our clients are now looking for online and broadcast expertise which is our specialism.

Interview participant

“ We are starting to see a recurring theme found during recessions: the rise of discounting and coupons. We are trying to breathe new life into this area with technology.

Interview participant

“ We are in the process of product virtualisation to reduce client's dependency on supply chain/sampling sales.

Interview participant

“ We have been contacted by more European brands who historically use the US.

Interview participant

“ Proved quickly we could be effective working remotely and we have cut half a million of costs throughout our business.

Interview participant

“ Pitching via video conferencing has been successful and is something we will continue to do, making it easier than ever to work anywhere in the world.

Interview participant

“ We have significantly reduced our corporate travel and we will continue to meet our clients virtually as opposed to physically when possible.

Interview participant



Case study

Covid-19: Triumphs during the global pandemic

Brandfuel built strong relationships with brands such as Google and Twitter in the 15 years since incorporation, pivoting their initial design business model into a successful events business. For the former years, their alliance with Google presented many opportunities due to the fact that the "West Coast" unicorn company's staff moved around a lot, meaning the majority of drivers for the business were via referrals. From a strategic perspective, Brandfuel transitioned from the technology sector into the banking and professional services space to enable further work within the U.S. and globally. The revenue received is now a mix of Europe and the US, with profits growing 80% year on year. They have an office in San Francisco which has helped reputationally however, they successfully worked with U.S. companies prior to developing this overseas hub.

Covid-19 too has brought many challenges, as virtual events generate a fraction of the revenue that would normally be achieved through a classic in-person event. Brandfuel recognised the need to increase their broadcast and virtual content capabilities in order to service the emerging Covid-19 market, so they held company meetings fashioned as TV shows, brought external experts in, and used these as a platform to upskill their staff before showcasing these skills to clients. They have now run many virtual events since the beginning of lockdown, including BlackRock's global annual summit and Slack's European conferences. Their repertoire of online events has also expanded and now includes awards shows, internal company experiences and successful virtual charity fundraisers. In the last few months, they have completed projects for YouTube and Barclays and have developed their own virtual event platform and other products in-house.

LOOKING TO THE FUTURE: HOW THE ADVERTISING ASSOCIATION AND THE UK ADVERTISING EXPORT GROUP CAN HELP TO POWER UP UK ADVERTISING EXPORTS

One of the Advertising Association's core functions is to act as the link between advertising practitioners and the politicians and policy makers whose decisions impact the sector. In concert with the advertising industry's think tank Credos, the association focuses on several key policy areas and industry programmes including promoting growth across the UK and internationally. This includes the UKAEG, which has developed a special partnership for the industry with the UK Government.

In keeping with this, the following sections lay out the policy considerations and industry action plan that have been developed by the teams at the Advertising Association and the UKAEG following the research laid out in this report. The goal of these considerations is to provide a policy and industry roadmap to power up advertising exports in the coming years, into a future that includes the UK's departure from the EU and its economic and social recovery from the impact of Covid-19.

For more information on these considerations please visit the Advertising Association's website: adassoc.org.uk

**ADVERTISING
ASSOCIATION**

**UK
AEG**





HOW GOVERNMENT POLICY CAN HELP POWER UP UK ADVERTISING EXPORTS

The UKAEG and the AA have worked with Government departments including DIT, BEIS and DCMS, providing recommendations and industry roundtables to inform the economic recovery strategy. In addition, the UKAEG held a roundtable with Graham Stuart MP, Minister for Exports, submitting a number of proposals to DIT demonstrating how the UK remains a centre of excellence in the eyes of brand owners from both inside and outside the country, particularly in the areas of advertising and brand consultancy, and core creative skills such as post production and editing. The AA must protect this position by being the most visible territory and we have the opportunity to demonstrate our creative strength through the way we market ourselves to international customers.

The UKAEG's recent proposal to the Government detailed the scale of support needed to create a year-round international marketing campaign for UK advertising. We are already out of the starting blocks this year with our summer activity and with financial support from Government, we can make even more of an impact. Advertising and our wider creative industries are a crucial engine for the UK's social and economic recovery from Covid-19. The investment from the Government to promote its advertising sector as a powerhouse on the world stage will pay back dividends as the world works out how to do business in a post-Covid landscape.

With the right marketing drive, we can ensure that international customers turn to the UK's creative, strategic and technological capabilities to do this in the most competitive way for their business, wherever they are in the world.

Following on from the analysis conducted in partnership with PwC, the Advertising Association has developed the following considerations that should be taken by the Government to continue powering UK advertising exports.

Sustaining and building access to global markets

As this report shows, the advertising industry is already very successful at exporting advertising and marketing services and attracting inward investment to the UK. The UK advertising industry is not just a successful exporter of services but a beacon for British creativity, innovation and skills.

It is important to emphasise the role that advertising plays for companies exporting their goods and services. UK brands will invariably need to compete with local brands and research shows that advertising plays an important role in the brand's initial launch and short-term sales. This shows that brand owners benefit from greater choice.

In the last few years, the AA has worked in partnership with DIT and the GREAT campaign to showcase the industry at world trade fairs and award ceremonies. Together, we have organised the first ever UK delegation to Cannes Lions, running a series of events all week to showcase British creativity. We have also worked together to identify key markets, starting with China. Additionally, we have also provided insights and networking opportunities that help advertising companies boost their export success.

In preparation for the UK's departure from the EU and recognising the need to diversify our export markets, the AA launched the UKAEG in partnership with DIT in September 2019. If not for the Covid-19 pandemic, 2020 would have seen

a calendar full of outreach activity championing UK advertising exports. Even though the pandemic has created significant challenges (e.g. restrictions on overseas travel), the group has reinvented its physical activities and events to be delivered virtually. Despite a modest budget and the constraints caused by Covid-19, the UKAEG continues to proactively build an international profile for the UK advertising industry.

Although the UK is currently a leading global advertising hub, we cannot take this position for granted. Protecting this status will help drive the UK's post-Brexit success and show that the UK is open for business. This will continue to attract important investments and talent. To do this, we need to build on the constructive relationship with DIT and further develop a strategic and long-term plan that is reviewed annually and properly funded.

Having left the EU, the UK is now in a position to pursue an independent trade policy for the first time in over 40 years. We have no doubt the Government will do its best to ensure that the UK will maintain trade continuity and opportunities with existing partners. We see international trade as the key priority area and our participation in the Creative Industries Trade Advisory Group (TAG) and Creative Industries Trade & Investment Board (CITIB) is evidence of our level of constructive engagement with the Government.

In the following section the Advertising Association sets out some key areas for our industry that are of vital interest

1. The importance of championing free trade.

We are currently operating against a backdrop of increasing global trade protectionism and rising tensions. Ongoing uncertainty has the potential to dampen export demand and reduce the flow of foreign direct investment (FDI). Fallout from the US-China trade war has led to the World Trade Organisation (WTO) being undermined and the current global trade rules put into question.

The UK has been embarking on a programme of negotiating trade continuity agreements with existing trade partners and new free trade agreements with the US, Japan, Australia, New Zealand and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). We encourage the UK to start negotiations to consider other bilateral agreements with emerging and fast-growing markets. Our priority markets include China, India and the Middle East.

On China, we note that the bilateral relationship has entered into a period of relative instability and some may argue it has taken a significant step backwards. The recent row over Huawei's involvement in the UK's 5G and ongoing human rights concerns have been key issues and there is a risk that this may spill over into China's involvement in the UK's civil nuclear power programme. Whilst we recognise there is delicate balance between upholding UK values and trade, this cannot swing wildly in either direction. Firstly, China's economy is simply too large to ignore. Secondly, shifting from engagement to confrontation would be counterproductive as a longer-term strategy.

2. The EU is still the UK's largest trading partner and achieving data adequacy status is important for the UK's digital economy.

The EU accounts for 61% of all UK advertising exports and a no-deal at the end of the transition period will be keenly felt across the industry. The UK's status as a global advertising hub is predicated on its attractiveness for multinational corporations to develop advertising campaigns for the EU market and European companies looking to develop international campaigns. The loss of access to EU markets will impact the UK's competitive advantage and have a knock-on effect for the advertising supply chain and FDI. We are also concerned that in the absence of a deal, the mobility of UK advertising executives and production crews and the ability to fly in fly out could be severely curtailed.

The UK is the largest online advertising market in Europe and third in the world behind the US and China. It also has a thriving ad-tech sector with more than 300 UK-headquartered companies, with over £1 billion invested in this area since 2013. As things currently stand there is a genuine risk that a data adequacy decision may not be achieved before the end of the transition period. Without a data decision in place, this would impede the flow of personal data from EU/EEA to the UK and impact the overall competitiveness of the UK's digital advertising sector.

3. Recovering from the Covid-19 economic impact.

Currently, business and consumer confidence is low due to the increased economic uncertainty caused by the Covid-19 pandemic. Whilst the domestic economy is weak, it may reduce the appetite for companies to increase their risk exposure with international trade. This will be especially true if those companies are facing cashflow problems and are feeling pressure to scale back on seeking new export opportunities.

Businesses, big or small, that are facing cashflow problems will need access to credit. To that end, measures such as the Coronavirus Business Interruption Loan have been extremely important for the survival of firms.

It is times like this that trade credit becomes very important as the risk of non-payment by customers increases, but ironically because those risks have increase so do the premiums, thereby increasing the cost of doing business. Government intervention in the trade credit insurance market will be important because wholesale market failure can lead to ever decreasing circles. In other words, as the chance of non-payment increases, insurance premiums will correspondingly increase. However, this will curb appetite for future risk taking, therefore resulting in fewer exports.

As mentioned earlier, we are keenly aware of the need to get the domestic economy back on solid footing. Working closely with DCMS support, the AA has submitted a proposal for an advertising and marketing services tax credit. If implemented, this could help drive more advertising spending, which would stimulate domestic consumption. Additional advertising expenditure would also give a much-needed boost to UK media which have seen big reductions in advertising revenue during lockdown.

4. Attracting highly skilled talent to the UK.

Many UK businesses have benefited from labour migration from the EU. Often EU citizens have come to the UK industry with highly sought-after skills in production, animation and machine learning which have gone a long way in addressing the domestic skills shortage. From 1 January 2021, the UK will implement its new points-based immigration system which ends the EU freedom of movement. There will no longer be any preferential treatment afforded to citizens from the EU/EEA and citizens from any country will be treated the same and expected to meet the criteria. We hope that skilled migrants are not dissuaded from coming to the UK as it would undermine the UK's global competitiveness. As European countries, such as the Netherlands, are already trying to position themselves as the next international advertising hub by offering attractive expat benefits.

To address the domestic skills shortage, an effective migration policy is needed. Additionally, parallel policies are necessary to increase the domestic talent pipeline. This supply of talent can support the UK's digital economy and future-proof global competitiveness.

In line with the national skills agenda, the AA is developing a joint Government-industry proposal to help people reskill or upskill in creative, digital and tech skills. This is especially geared to those who may have recently been made redundant or are just entering the workforce. This is where we think trade bodies are uniquely placed because of their reach and experience of delivering high quality training at scale.

POWERING UP UK ADVERTISING EXPORTS THROUGH INDUSTRY ACTION



The opportunity is clear and many businesses across our UK advertising and marketing services industry can benefit as we increasingly look at how we trade with customers around the world. We believe a collaborative industry approach is required.

We are out of the starting blocks as a sector, thanks to the efforts of a cohort of companies, now known as the UKAEG, ably chaired by the IPA's Janet Hull and backed by the AA, the APA, the DMA, the IPA, London & Partners and the CIC. This is a growing community of like-minded businesses that works together to drive the success of our vibrant and exciting sector. It is run through a crowd-funded model to give our industry marketing firepower on the world stage.

We led a delegation of 12 UK agencies and 25 representatives to the Shanghai International Advertising Festival (SHIAF) in March 2019, with a day dedicated to British advertising. This was also the case at South by Southwest (SXSW) 2019, where British advertising took over the Music Embassy for a day. Similarly, via the AA's Cannes Working Group, in partnership with DIT and six leading industry brands, we ran a co-ordinated UK industry programme at Cannes Lions for the first time last year. This made a significant impact, with first-ever meetings between the UK delegations and those from China and South Korea. The recent crisis meant our plans for 2020 had to change and over June and July 2020, we hosted two virtual trade missions to SHIAF

and CogX and fringe activity around Lions Live under the brand 'UK Advertising' which was impactful and resulted in approximately 146,000 touchpoints with the UKAEG members.

To date, the efforts of this group has generated £16m of new business leads and networking opportunities for its members.

All these moments demonstrate that if we work together for the benefit of our industry, we will be far more effective than if we operate at individual level. The bigger we can scale this group and its efforts, the more visible we can build the profile of the UK as a global advertising hub.

The brilliant insights within this report identified a series of barriers that the advertising industry needs to overcome. With the right focus and approach, as well as strengths that we need to build on we believe that we as an industry can overcome them. The following plan sets out what we need to do as an industry in the coming months to achieve our goal of powering up UK advertising exports.

1. Barrier: Cost of international trade/legal issues/cultural differences.

The report highlights concerns from companies about how to go about building an export strategy and the costs and logistical challenges involved in doing this. However, this report also features examples of individual companies that have successfully overcome these. It can be done; we just need to show how.

Action: Nurture skills and share knowledge to develop a global new business strategy.

Companies that have successfully grown their business internationally will be invited to work with the UKAEG to offer advice and guidance to all UK advertising companies interested in growing their business through exporting. This will include expert advice from Kingston Smith, a leading legal practice for the UK advertising sector, which will be providing bespoke information for all UKAEG members via its Export Accelerator. We will be holding quarterly workshops for members from Q1 2021 onwards to develop skills and knowledge on how to build a global new business strategy, with a specific focus on establishing a customer base in key markets. Meanwhile, the UKAEG's Export Accelerator launches in Q4 2020, offering a personalised online tool to building and tracking a company's global new business strategy.

2. Barrier: Location/proximity.

It is clear that being on the ground/in the country of the customer is perceived as a challenge to companies looking to grow their international client base. Disruption to international travel and industry events caused by Covid-19 has added to that challenge, but at the same time has also demonstrated how, through the effective use of online channels, connections can still be made and new business won. It is also apparent that companies need help on the ground in locations as they seek to establish their own footprint and client base.

Action: Facilitate international connections to trade with key markets and provide infrastructure support on the ground.

The UKAEG community has taken part in a number of virtual events over the summer including one with the China Advertising Association, involving more than 40 participants from UK and Chinese companies running in dual translation. Opportunities have also opened up through connections with the organisers of events such as Shanghai International Advertising Festival (SHIAF) for UK advertising and marketing services companies to access free office space in Shanghai. This is on-top-of-desk space which can be accessed via DIT in key markets. To that end, we will be coordinating and running a programme of trade exchanges, online and at events with key territories during 2021. We will also be providing expert counsel on how to access logistical and infrastructure support on the ground in key markets.

3. Opportunity: Building on the UK's global reputation as a centre of excellence for advertising and marketing services.

The reputation of the UK as a global hub for advertising is critical and something we need to protect and build as we face into the Brexit headwinds and deal with the impact of Covid-19. We need to promote the UK's advertising and marketing services community in as high-profile a way possible over the coming decade to ensure our exports continue to grow. We will do this by being the most visible territory and we have the opportunity to demonstrate our creative strength through the way we market ourselves to international customers.

Action: Deliver a high-profile marketing programme for UK advertising.

Every company in the UKAEG shares the same collective ambition – to work together and show the world we are open for business. In these extraordinary times, this is more important than it has ever been. The UKAEG wants to shine a spotlight on UK Advertising all year round with a mix of trade missions and a dedicated marketing campaign. Trade missions allow us to work as a collective with UKAEG members to host networking meetings and, where possible, provide speaker platforms. With the right marketing drive, we can ensure international customers turn to the UK's creative, strategic and technological capabilities to do this in the most competitive way for their business, wherever they are in the world. It is the UK's unrivalled reputation for creativity that attracts international business and the more we promote this, the more business will follow; and that will continue to make the UK a magnet for the world's most ambitious talent. Our new brand film – UK Advertising. Made Global. – launched Q4 2020. Created, developed and produced by UKAEG members, adam&eveDDB and The Mill, it is the first showcase of its kind featuring brilliant creative work from across the industry. A version in Mandarin will be featuring in work by the British Creative Council to connect companies with the Chinese creative community. We are also working on plans for the biggest Export Month yet, which will take place in March 2021. This is an annual event where we look at the industry's export performance and showcase what our industry can offer to customers all around the world.

4. Opportunity: Integrate UK advertising into the UK Government's Global Britain drive.

The GREAT campaign is the world's most famous and effective nation branding campaign and its Creativity Is GREAT strand has been used effectively by the UK advertising sector at events such as Cannes Lions and SXSW in recent years. There will be a renewed focus on the UK's profile on the world stage in the coming years as the Brexit transition is completed.

Action: The GREAT campaign.

We want our industry to effectively harness the assets of the GREAT campaign and to use these as promotional calling cards in international territories. We are closely tracking how the GREAT campaign evolves into 2021 and will be running training programmes for UKAEG members on how to get involved, both online and through key events in the GREAT calendar.

5. Opportunity: Increase the number of companies actively looking to export UK advertising and marketing services.

As of October 2020, the UKAEG is a 50+ cohort of advertising and marketing services companies across areas including AdTech, creative, production, post-production companies, research, data, talent and executive search, all working together to champion UK advertising. We need to grow the community and build out the showcase.

Industry Action: UK-wide recruitment roadshow.

We want companies from all across the UK to join the UKAEG and our mission to boost the reputation of UK advertising on the global stage, and to accelerate growth in export performance. We will be holding a UK roadshow during 2021 to identify companies from all the creative cities to join our group. If you are interested in joining the UKAEG or know a company that should be considered, please contact **the UKAEG Marketing Manager, Aisling Conlon**.

APPENDIX

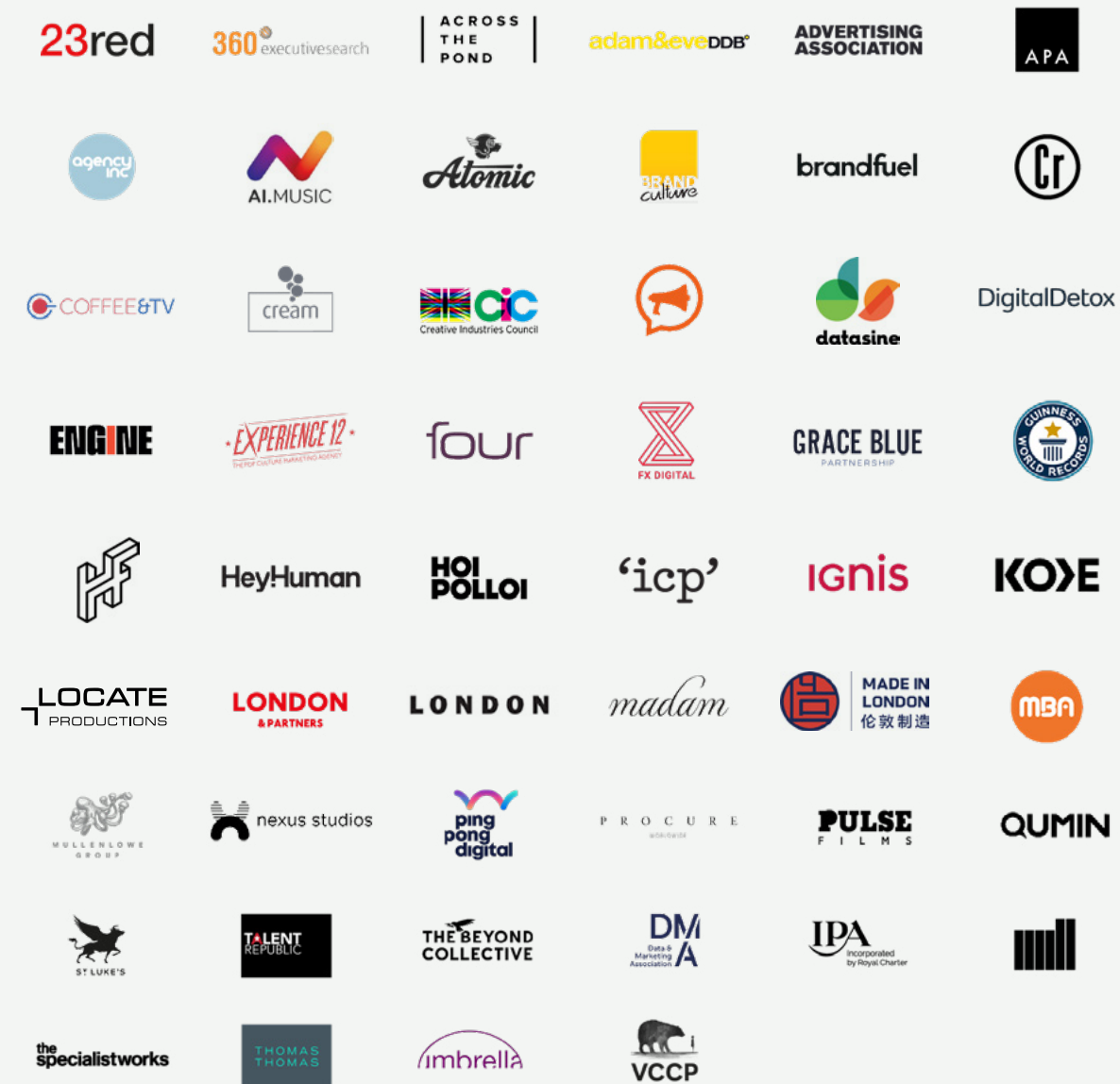
Appendix 1: ONS data recap - methodological note:

The annual survey of International Trade in Services (ITIS) collects information on the imports and exports of 52 different types of services. It shows the import and export activities of UK companies overseas and is the main source of information for UK trade. ITIS data is an important element of the UK's Balance of Payments (BoP) and contributes towards the measure of gross domestic product (GDP).

ITIS data is based on a quarterly sample of approximately 2,200 businesses and an annual sample of approximately 15,500 businesses. The survey data from both the quarterly and annual results are combined to produce the annual ITIS estimates.

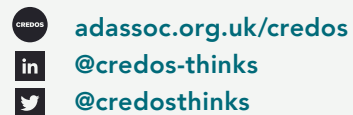
In 2013, advertising services was combined with market research and public opinion polling services, previously two discrete categories. As such, Credos reached the 2018 figure for advertising services exports of £7.9 billion by taking the average ratio of advertising verses market research and public opinion polling exports between 2009-2012 and applying the same ratio to the 2018 combined total. This approach has been quality checked and assured by the ONS.

UKAEG MEMBERS



ACKNOWLEDGEMENTS

Research by Credos for the Advertising Association.
Published by the Advertising Association.



This publication has been prepared for general guidance on matters of interest only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication and, to the extent permitted by law, neither The Advertising Association nor any of The Advertising Association's contributors or subcontractors accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. PricewaterhouseCoopers LLP is a limited liability partnership in the United Kingdom, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity within the PwC network. Please see www.pwc.com/structure for further details. In this document, "PwC" refers to the UK member firm.