

**MaRS**



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# **United Kingdom Expansion Guide**

**A Nation on the  
Precipice of Change**

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# Acknowledgement



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# Executive Summary



Historically, the United Kingdom has been a global leader in business and trade. The Industrial Revolution emanated from the island country, and to this day, the nation leads the way in many industries. Companies around the globe view the UK as an attractive market for international expansion for a number of reasons:

- Fewer barriers to setting up a business and low corporate tax rate
- Large, diverse and educated workforce, and relatively low labour costs
- Vibrant and flourishing tech ecosystem
- Active and experienced venture capital industry
- Large market economy and global leaders in fintech, artificial intelligence, cybersecurity, information communication technology, healthcare and life sciences

## UK Country Profile <sup>1-5</sup>

### People

Population	66.5 million
Population growth rate	0.51%
Life expectancy	81 years
Net migration rate	2.5 migrants/1,000 people
Urban population	83.7% of total

### Environment

Energy use	2,764 kg of oil equivalent per capita
Greenhouse gas emissions	449 metric tons of CO <sub>2</sub> equivalent

### Economy

GDP	2,825.21 billion
GDP growth	1.4%
Unemployment rate	3.9%
Labour force	33.5 million
Health expenditure	9.9% of economy
Education expenditure	5.5% of GDP

### Business and technology

Individuals using the Internet	94.9% of population
Annual e-commerce sales	\$762.2 billion



Historically, Canada and the UK have a strong trade relationship, and the recently ratified Canada–European Union Comprehensive Economic and Trade Agreement (CETA) further strengthens the bonds between the two countries.<sup>6</sup> Under CETA, tariffs have been eliminated on 98% of all goods traded between Canada and the UK. Within Europe, the UK is the most important trading partner for Canada and our fifth largest partner globally. In 2018, trade between the two countries reached \$25.5 billion. Canada and the United Kingdom have robust partnerships in science, technology and innovation.<sup>6</sup> There are strong connections between Canadian and UK researchers, universities, commercialization groups and companies.<sup>6</sup>

The UK typically ranks top of the list for many Canadian tech firms considering international expansion. However, in recent years, the uncertainty of Brexit and the political rhetoric surrounding it have many Canadian firms questioning whether the UK is still an attractive market to enter.

To make a sound decision, firms need to push back the political rhetoric around Brexit and try to understand the strengths, opportunities and risks associated with doing business in the UK under the current climate. This article aims to provide insights and perspective to help firms assess and determine whether the UK is the right market for them. It explores the UK's unique market strengths and how Brexit will impact business and trade in the region, and offers guidance for Canadian tech firms pondering whether they should expand their business to the UK.







# Strengths and Opportunities

The UK makes an ideal market for Canadian tech firms for a number of reasons. It is a large English-speaking country located in a time zone that allows companies to conduct business with Asian and North American partners during their regular business hours. Furthermore, the country has a substantial talent pool, business-friendly regulations and tax rates, large market opportunities in many sectors, and a vibrant tech ecosystem that supports the growth of innovative firms. This section explores the UK's key market strengths and why Canadian firms may want to consider expanding their business to the country.

## Talent

With world-class universities and the ability to draw skilled workers from across Europe, the UK offers access to a high-calibre talent pool. Additionally, UK labour costs are some of the most competitive in western Europe thanks to low employer social security contributions.<sup>7</sup> Canadian companies considering expanding their business to the UK are in a position to benefit from the quality and cost of talent they can access in the country.

### The UK's tech talent

The tech industry in the UK is a crucial force driving its economy. Because it has one of the most dynamic technology industries, the UK's demand for highly skilled technical talent is skyrocketing. Startups and high-growth small to medium enterprises (SMEs) depend on tech professionals to perform vital in-house functions and build products. Newer technologies like business intelligence and artificial intelligence have sparked a recruitment spree.<sup>8</sup> Recent research from Stack Overflow and LinkedIn found that for the second year in a row, London attracted more European and non-EU technology professionals than the rest of Europe. The data from Stack Overflow shows that London has around 356,900 software developers, more than any other city in Europe—revealing London's tech sector complexion as international, skilled and multicultural.<sup>9</sup>



If we look at the European talent landscape, London, Paris and Berlin are the top three cities dominating the tech industry. London is the most popular destination for developers who want to work abroad, and it has a particularly mobile workforce, with more than 40% of founders coming from or spending considerable time overseas.<sup>10</sup> It takes an average of 20 weeks and \$5,000 to hire senior management and technical talent in the city, which is longer than it takes to get a work permit for a temporary foreign worker.

### **Tapping into the graduate talent pool**

Despite stiff competition in the market for skilled IT professionals, startups can use the talent pool that comes out of tech accelerators and entrepreneurial programs. The UK benefits from a large and growing labour pool that is skilled, tech-savvy, English-speaking and diverse. The country has the highest number of science graduates in the EU, which includes the technology discipline. It has a multicultural society and student base that is the second largest in the European Union after Germany. Four of the top 10 universities in the world (University of Oxford, University of Cambridge, UCL and Imperial College London) are either in London or in its close vicinity. The UK offers a wealth of highly skilled workers for technology startups looking to tap into graduate talent. A number of educational institutions across the UK run entrepreneurial accelerator programs, such as the King's 20 accelerator in King's College London and the Dundee Centre for Entrepreneurship. Instead of paying sole attention to the talent in London, companies that spread their net across the UK could have access to a wider talent pool.<sup>11</sup>

## **Employment laws and benefits in the UK<sup>12</sup>**

- To hire a local employee, you need either a branch or a subsidiary.
- All employment relationships are governed by a contract, whether written or oral. In writing, you can clearly set out the protections and obligations that apply to both parties. Hiring a contractor in the UK is easier than it is in other countries.
- Before making an offer to a candidate, check whether they have the legal right to work in the UK. It is illegal to hire someone who is not authorized to work in the country. Hiring an illegal person can cost you up to \$26,000 in fines. Companies should also conduct employment background checks.
- Get employers' liability insurance, as it is a legal requirement that protects employees from compensation costs for injury or illness.
- You must register as an employee with HM Revenue and Customs before running a payroll. It can take up to five days to get the Pay As You Earn reference number. You cannot register more than two months before you start paying employees.

## **Business regulations and taxes**

The UK is the ninth best destination for conducting business globally and third in Europe, after Sweden and Norway, with Brexit having no noticeable impact on the country's ranking.<sup>13</sup> Thanks to its business-friendly regulations, strong legal system and low corporate taxes, the UK is one of the most attractive destinations to set up and conduct business.

### **Ease of doing business**

One of the first things to think about when considering international expansion is how easily you will be able to establish your business. When it comes to ease of starting a business, the UK is ranked No. 19 by the World Bank, ahead of France (30) the US (53) and Germany (114), and scoring four points higher than the Organization for Economic Co-operation and Development's High Income Regional Average.<sup>14</sup>

One of the main reasons the UK ranks higher than any of its European counterparts is the ease of incorporating a business. A company can be formed and incorporated online in the UK within 48 hours, and it takes an average of 13 days to complete all the administrative procedures related to setting up a business, compared to the European average of 32 days, according to the World Bank.<sup>13</sup>





### Low corporate taxes

Much like many forward-looking economies, the UK government is focused on stimulating investment in the country. One way it is successfully doing so is by enforcing low corporate taxes, which are currently at 19% and expected to further drop to 17% by 2020. The UK's corporate tax is well below that of the G7's average of 30%, contributing to its booming startup ecosystem.<sup>15</sup>

### Tax incentives

To further support businesses, the UK offers an array of tax incentives, many of which are targeted at companies operating in the fields of science and technology. Such incentives include the Research & Development Tax Credits, which allow companies to claim back some of their taxes based on their R&D spend, while the Patent Box regime lets companies lower their corporation tax rate based on profits they make from patented inventions.<sup>16</sup>

Other sector-agnostic incentives include the Seed Enterprise Investment Scheme, which helps startups raise capital, as well as the Employment Allowance, which helps pay up to \$3,900 of a company's National Insurance bill. Firms also have the ability to claim capital allowances when they buy assets for their business, such as equipment, machinery and vehicles.<sup>17</sup>

The UK is an attractive market for Canadian tech firms interested in global expansion, as it presents a business-friendly environment where it is relatively easy to set up and operate a business. The country also has a tax rate that is supportive of business growth and success.







## Market opportunity

Despite the inevitable impact Brexit will have on the UK's economy, there is no doubt the European island will continue to present a wealth of business opportunities for both domestic and foreign companies across multiple sectors. The UK's traditional strengths as an open and stable economy, and a global financial and logistics hub with world-class talent, will continue to play in favour of some of its internationally competitive sectors. With 80% of the country's GDP being driven by services<sup>7</sup>, the automation and digitization opportunities powered by recent advancements in analytics, artificial intelligence and machine learning, among other technologies, present massive business opportunities for companies in multiple sectors, including information communication technology (ICT), fintech and healthcare.

### Information communication technology (ICT)

The UK boasts one of the world's largest ICT markets in the world, with the country coming in second place after the US in the ranking of information communication technology spending per capita.<sup>18</sup> As one of the world's most developed and sophisticated economies, the UK is quite reliant on ICT services to support its highly digitized economic infrastructure, which creates a magnitude of opportunities for current and future ICT companies.

### Cybersecurity

One of the leading ICT subsectors in the UK is cybersecurity. Businesses' and consumers' heavy reliance on digital technology, coupled with strict Europe-wide regulations on protecting consumer data, mean that the UK's demand for cybersecurity services (currently valued at \$3.6 billion per year) represents one of the fastest growing opportunities in ICT.<sup>19</sup> The UK government has also allotted \$2.4 billion over the period of 2016 – 2021 to fund the National Cyber Security Strategy, aimed mainly at strengthening national infrastructure to cyberattacks from hackers.<sup>20</sup>

### Fintech

When it comes to fintech, very few markets can claim to be on par with the UK. Its commitment to investing in its innovation ecosystem, along with being one of the leading pioneers in Open Banking, has allowed the UK to build on its historic position as Europe's financial center and continue its legacy as one of the core hubs for financial innovation in the 21st century. One of the key global advantages to operating a fintech venture in the UK is its regulatory environment. The UK's financial regulators, the Financial Conduct Authority and the Prudential Regulation Authority, have a mandate to promote innovation and competition, on top of the basic requirements for financial stability and consumer protection.<sup>21</sup> Housing one of the most highly banked populations (99.5%) in the world, along with having a fintech adoption rate of 42%—in comparison to a global average of 33%—the UK is a \$8.6-billion market that is expected to double its number of fintech players (currently at 1,600 ventures) by 2030.<sup>22</sup>



### Cloud computing<sup>19</sup>

The UK's cloud-computing market is worth \$7.9 billion. The country's mobile market is the largest in Europe, valued at \$18.2 billion annually with 80 million mobile subscriptions.

### IT, software, and computer and cloud services<sup>19</sup>

This subsector contributed over \$45 billion to the UK economy in 2016. More than 100,000 software companies operate in the UK, including some major US firms, such as Microsoft, IBM and HP. The UK data centre market is the largest in Europe, generating new sources of demand for ICT providers.

### Artificial intelligence<sup>19</sup>

In April 2018, the UK government unveiled an artificial intelligence deal worth over \$1.3 billion, which is backed by 50 leading tech firms and nearly \$400 million in private investment.

### Healthcare and biotech

Like many developed countries, the UK has a large aging population, with 30% being 55 and older. With a public healthcare system that treats a million patients every 36 hours, the UK government is spending \$233 billion per year on healthcare—which is higher than average for countries belonging to the Organization for Economic Co-operation and Development.<sup>23</sup> Faced with multiple challenges resulting from the aging population and a sharp increase in chronic conditions, the National Health Service (NHS) has committed to collaborating with and supporting private-sector innovation and SMEs in the health and life sciences through its multiple innovation-centric programs, from the Small Business Research Initiative, which provides grants to SMEs to solve NHS-identified issues, to the new care models of integrated care that will become blueprints for the NHS as a whole.<sup>24</sup> With the largest biotech cluster outside the US and in the top three worldwide (alongside Boston and the San Francisco Bay Area in California), the UK's healthcare industry is major global player.<sup>24</sup> The industry currently boasts a total annual turnover of more than \$91 billion and presents a \$2.6 billion digital health market opportunity that is expected to grow to \$3.9 billion by 2020, with large growth in health apps.<sup>18</sup> Canadian health businesses that choose the UK for their life sciences ventures will find they have access to a wide spread of financial opportunities through the City of London and the venture capital community, in addition to world-class talent.

With the UK maintaining a clear global competitive advantage in several industries, including ICT, fintech and healthcare, there remains a lot of opportunities for Canadian companies to explore.

## Technology ecosystem

One of the many reasons the United Kingdom is an attractive market for Canadian high-growth firms is that it has a rich and vibrant tech ecosystem that supports the expansion of both domestic and foreign companies. In a global study conducted by the consulting firm KPMG, the UK was ranked the fourth most promising market for innovation, disruption and technology.<sup>25</sup> Even with the ongoing Brexit negotiations, the UK technology sector continues to grow and companies continue to post robust earnings.<sup>25</sup> Within the United Kingdom, London holds centre stage as a world-class city for innovation and entrepreneurship. London ranks third among the top 30 global startup ecosystems and, in many respects, is on par with the likes of Silicon Valley.<sup>26</sup>

Whether you decide to launch your business in London or one of the other cities in the country, the UK is an ideal location for innovative firms for a number of reasons, including access to capital, and government and community support.

### Access to capital

The UK has an active and experienced venture capital (VC) industry and is arguably the most developed in all of Europe.<sup>26, 27</sup> Even with the uncertainty of Brexit, venture capitalists have not been dissuaded from investing in companies conducting business in the UK.<sup>28</sup> In the second quarter of 2019, VCs invested more than US\$2.5 billion in UK startups. The UK saw greater VC investment in the first half of 2019 than any other country in Europe.<sup>28</sup> Investors in the UK write large cheques, too—two of the biggest deals completed in Europe in 2019 were in UK startups (Checkout.com raised \$230 million; Deliveroo, \$575 million).<sup>28</sup>

Canadian ventures looking to expand their business into the UK should not be too concerned that capital will all of a sudden dry up due to decisions made in regards to Brexit. The venture capital industry is active in London and the UK, and based on the latest data, investors will continue to invest significantly in startups and later-stage technology firms.

### Government support

Over the years, the UK government has invested billions of dollars to support the development of the country's tech ecosystem. These investments include committing \$32 billion to stimulate R&D; \$695 million in artificial intelligence, 5G and full fiber broadband infrastructure; and \$750 million to support the growth of electric cars and charging stations. The government also created a \$3.5 billion fund to ensure high-growth firms have the money necessary to become the next unicorn (a company with a valuation of at least \$1 billion).<sup>28</sup> In addition to financial support, the government has established 38 growth hubs that offer support for businesses, created programs that offer tax relief for tech startups, and established a national business advice helpline.<sup>29</sup>

The UK government has also established policies, programs and regulatory structures that support overseas firms that want to expand their business into the country. For instance, the government has reduced regulatory barriers so companies can register their business in less than 48 hours.<sup>30</sup> Additionally, earlier this year, the country launched the Innovator visa, which enables foreign entrepreneurs to establish a business venture in the UK and obtain residency for themselves and their families. The UK government is an active player in the startup ecosystem, and foreign firms that are considering expanding their business to the United Kingdom can greatly benefit from the investments the government has made in the country's tech sector.

### Entrepreneurial culture and community support

Foreign firms can benefit from and contribute to the UK's thriving entrepreneurial culture and strong network of community support. In terms of scale of entrepreneurial activity, in 2018, 660,000 companies were registered in the UK.<sup>31</sup> There are currently 205 incubators and 163 accelerators active in the country that provide investment, office and co-working space, business advice and mentoring services.<sup>32</sup> With such a mass of startups and support organizations, it is no surprise that the UK is third in the world for producing successful tech companies. As of 2019, the UK is home to 72 unicorns,<sup>33</sup> which help anchor the country's entrepreneurial ecosystem and provide a great wealth of experience and talent to the startup community.

Foreign companies that expand into the United Kingdom will be welcomed into an active and thriving tech ecosystem that is diverse, experienced and collaborative. This ecosystem is a key strength of the country and one of the main reasons it is attractive to foreign tech companies. Canadian firms looking to do business in the UK should seek to fully leverage this ecosystem to drive their own growth and success in the country.

While London is the epicentre of startup activity in the United Kingdom, it is not the only city in the country in which to set up shop. Places like Cambridge, Oxford, Manchester and Bristol are great destinations for technology-based firms.<sup>34, 35, 36</sup>

- Cambridge is a small city, but over the years, it has seen tremendous growth in technology and life-science companies. The city is centred around the University of Cambridge, which draws talent from across the globe, many of whom remain in the area.
- Oxford has a strong knowledge economy that is grounded in sectors like life sciences, space technologies, creative and digital, automotive and motorsports, and electronics and sensors. The University of Oxford and Oxford Brookes University help foster a strong entrepreneurship scene in the city.
- Outside London, Manchester is the largest technology hub in the United Kingdom. The city is known for being a leading centre for Internet of Things (IoT). In 2016, Cisco launched an IoT innovation centre in Manchester aimed at building smart city projects. Manchester also has MediaCityUK, a 200-acre space that is sold as an international hub for technology, innovation and creativity.
- Bristol is home to large multinationals such as Hewlett Packard, Rolls-Royce and Airbus. The city has a great business environment, an entrepreneurial culture and a very supportive ecosystem, which has resulted in Bristol having one of the highest percentages of entrepreneurs per capita in the UK.







# Competition

Coming in third place just after the US and China for the largest number of domestically grown unicorns<sup>37</sup>, the UK is home to some of the biggest and most sophisticated corporations in the world. Combine that with being a top market for international expansion by foreign firms, and you end up with one of the most fiercely competitive markets in the world.

While Canadian companies continue to consider the UK an attractive market for global expansion, they are by no means the only ones. The UK attracts more foreign firms and investment than anywhere else in Europe, subsequently making acquiring top talent, finding strategic capital and gaining market share an upward battle<sup>7</sup>. The UK is innately a competitive market and Canadian tech firms launching a business in the country need to have a well-defined value proposition and have strong differentiating factors to be successful in the country.





# Brexit

In a 2016 referendum, Britons voted 52% in favour of leaving the European Union. Over the following years, there has been incredible uncertainty over how, when and if the UK will part ways with the EU. Former prime minister Theresa May made three attempts at obtaining a withdrawal agreement through Parliament.<sup>38</sup> Unable to get an agreement approved, May resigned, which paved the way for Boris Johnson to take on the insurmountable task of brokering a Brexit divorce deal. Johnson's government took a more hardline position, stating that the country would leave the EU with or without a deal by October 31.

We spoke with Emmanuelle Mansart, the country risk analyst for western Europe and North Africa for Export Development Canada (EDC), regarding the current Brexit situation. Mansart outlines three scenarios that could unfold:



**Emmanuelle Mansart**  
EDC

**Scenario 1 – Exit with a deal:** A deal is reached between the UK and the EU negotiators, and approved by both the UK Parliament and the EU leaders.

**Scenario 2 – Exit without a deal:** The UK leaves the EU without a deal. At the time of writing, this was a legally more challenging scenario, because the UK Parliament implemented legislation to prevent a no-deal Brexit.

**Scenario 3 – Extension:** Government asks for an extension of Article 50. An extension could potentially trigger other scenarios, like a general election or even another referendum. At the time this article was written, an extension was believed to be the most likely scenario.



A week before October 31, Johnson conceded that there would be no hard exit from the UK by the end of the month.<sup>39</sup> Instead, the prime minister opted to ask for an extension and called for an election to happen by the end of the year. It is not surprising that the UK government asked for an extension. As EDC predicted, given the amount of time remaining and the political deadlock, Scenario 3 was the most likely to occur. At this time, a hard exit from the EU is unlikely, but it is not impossible. As Mansart explains, even with an extension, the government might still try to exit without a deal, or it might not be able to pass appropriate legislation before the next deadline, which would be the equivalent of leaving without a deal.

In the coming months, we will get a better sense of the direction the Brexit negotiations will take. A no-deal exit will have a substantially greater impact on businesses than one with a deal. Canadian firms interested in doing business in the UK should be aware of the consequences of Brexit. If the UK does indeed leave the EU, the areas most likely to be impacted are trade, talent and the economy.

## Trade

Mansart emphasizes that the UK's eventual exit from the EU could jeopardize the country's access to the European single market. Based on her analysis, a no-deal Brexit could result in increased trade frictions and disruption in supply chains, as well as a potential shift in production. Canadian businesses looking to use the UK as an entry point to the EU should be cognizant that the outcome of the Brexit negotiation might have significant ramifications on their ability to sell into the EU through the UK.



**Stephen Wilhelm,**  
EDC

The Canadian-European Union Comprehensive Economic and Trade Agreement (CETA) signed between Canada and the EU, including the UK, give Canadian companies preferential trade rules with EU member states. The agreement provides a significant competitive advantage to Canadian companies by reducing or eliminating tariffs and trade barriers. However, Stephen Wilhelm, regional vice-president of Europe, Middle East and Africa for EDC, cautions that with a no-deal Brexit, Canadian firms may lose this preferential trade access to the UK since the UK government has indicated the implementation of a temporary tariff regime applicable to all countries in the

event of a no-deal Brexit, with 88% of goods entering Britain escaping import taxes for a year in an effort to avoid fueling inflation. Meanwhile UK exporters to the EU would be hit by significant increases in tariffs.

## Talent

By being an EU member state, the UK benefits from the ease of accessing talent from the rest of Europe. However, if Brexit does come to pass, Wilhelm emphasizes that this flow of workers could be disrupted, depending on whether there are any restrictions on immigration laws. What this means for Canadian firms doing business in the UK is that the talent pool could shrink and employees might not be able to move throughout Europe with the same level of ease.

We spoke with Sanjay Purohit, Government of Canada ICT trade commissioner, regarding how Brexit could impact talent in the ICT sector. Purohit believes there is a risk that the UK will lose migrant skilled labour, especially from key countries in the EU like Poland and France. Some corporations in financial services may move their IT functions to other parts of the EU, draining the UK of skilled labour. The UK tech industry is heavily reliant on the movement of people, and as the industry is already facing a skills shortage, a hard Brexit could threaten to limit the growth of the industry.<sup>40</sup>



## Economy

A hard exit will be incredibly disruptive and will have a significant impact on the UK economy: the Bank of England estimates the GDP would decrease by 5.5%, unemployment would reach 7% and inflation would rise to 5.5%.<sup>41</sup> A downturn in the economy would impact local and foreign firms operating in the UK. However, as Wilhelm elaborated in our discussion, a hard exit and a weaker economy could benefit some Canadian firms doing business in the UK, specifically those that could help the country become more self-sufficient. Additionally, with a weaker sterling, investing in the UK would be cheaper for Canadian firms.

Businesses in general do not like uncertainty, and Brexit has created significant uncertainty over the past few years. Recent research shows that UK executives are spending an average of 200 hours a year on Brexit preparation.<sup>42</sup> In addition to draining resources, uncertainty in the marketplace gives companies an incentive to delay investments, hiring and making long-term decisions. Research coming out of the

UK shows that this is exactly what has happened. Investments made by companies have declined by about 11% over the three years following the referendum. Additionally, productivity in the UK has decreased between 2% and 5%.<sup>38</sup> Canadian firms looking to do business in the UK need to be aware of this climate of uncertainty that currently exists in the country and the rest of Europe, and how it might hamper their ability to conduct business in an effective manner.

Canadian tech firms looking to expand into the UK should also be aware that even three years after the Brexit referendum, there are still a lot of unanswered questions. A cloud of uncertainty blankets the current marketplace, making it a challenge to plan for the future. It is in the best interests of the UK to exit with a deal, but based on current events, nothing can be guaranteed. Depending on how the UK exits from the EU, trade, access to talent and the country's economy could all potentially be impacted. Canadian firms should conduct a strategic analysis of how shifts in these areas could affect their ability to do business in the UK.







# UK Market Assessment

The UK is an attractive market for Canadian tech firms. Relative to the rest of Europe, the UK has fewer barriers to setting up a company, a business-friendly tax rate, a large market economy, a strong tech industry and a vibrant ecosystem that supports the growth of firms. If the UK does end up separating from the EU, the UK is likely to remain an attractive market. However, Canadian firms considering entering the country need to take into consideration who they are selling to, business regulations and their supply chain.

## Customers

Mansart and Wilhelm, UK experts from EDC, both emphasize that Canadian companies entering the UK market to sell to UK customers face far less risk than those who have the goal of using the country as a beachhead into the rest of Europe. With the current uncertainty of Brexit, companies interested in selling into the EU are better insulated from future risks if they choose a country that has no desire to leave the union. That being said, if a significant portion of a company's customer base is in the UK, then the UK makes an ideal destination for the firm, regardless of what happens with the ongoing Brexit negotiations. However, there is a bit of nuance behind this assertion. If a Canadian company is selling to UK consumers, then this customer base will not disappear overnight if the UK leaves the EU. But if a firm's target customers are businesses with offices in the UK, then the firm should be aware that a portion of its customer base may consider relocating to or increasing their presence in countries within the EU if Brexit goes through. A number of companies, like Jaguar Land Rover, HSBC, JPMorgan Chase, Lloyd's of London and Nissan, have recently announced plans to leave the UK, downsize or cut jobs ahead of Brexit.<sup>43</sup>



## Business regulations

Regulations are another aspect Canadian firms need to take into consideration when deciding whether to enter the UK market. If they are in a heavily regulated industry, companies need to understand if and how these regulations would change if the UK leaves the EU. Depending on the industry in question, firms might prefer to be in a more stable regulatory environment and therefore choose to set up shop in one of the EU member states.



Nulogy is a Toronto-based technology firm that provides contract packaging, supply chain management and contract manufacturing software systems that allow consumer packaged goods companies and their supplier networks to accelerate the customization of products. We had a chance to speak with Josephine Coombe, chief marketing officer at Nulogy, regarding the company's plans to expand into the UK market.

Nulogy is taking a lean approach to launching in the United Kingdom. The company has sent two employees to the UK to start preparing for its January 2020 launch. One of those employees is Coombe, who has dual citizenship in Canada and the UK. For Nulogy, the UK is an ideal market for international expansion because their customer base, and contract packaging and logistics companies are concentrated in the country. Additionally, the UK is home to dedicated industry associations for both customer groups, which allows Nulogy to easily network and build relationships with its customers.

Nulogy is confident the company can be successful in the UK market despite the ongoing Brexit negotiations. Most of Nulogy's customers have a national footprint in the UK, so the company believes it will be able to continue to sell to them post-Brexit. Coombes emphasizes that the greatest concern for Nulogy is the uncertainty of Brexit and the impact this uncertainty will have on businesses it sells to. Nulogy already serves several European customers and is therefore not too concerned about continuing to sell to the European mainland, regardless of the outcome of Brexit.

## Supply chain and manufacturing

If there is a hard Brexit, the movement of goods and supplies from mainland Europe to the United Kingdom might be disrupted. Companies planning on having a significant portion of their supply chain in Europe may want to consider locating their European head office outside the UK because of the uncertainty of Brexit.

## Questions to consider

As Canadian tech firms go through the process of developing their international expansion strategy, they should not discount the United Kingdom altogether due to concerns of Brexit. Companies need to cut through the political and media rhetoric and understand the opportunities present in the UK. Companies that want to sell to UK customers should be confident that the UK will still remain an attractive market regardless of the outcome of the Brexit negotiations. If your expansion strategy encompasses all of Europe with the UK only playing a minor part of that strategy, then it would be prudent to establish your business in a country within continental Europe or wait and see how the Brexit negotiations plays out.

Ultimately, companies should choose a destination based on who they are selling to and the unique strengths, opportunities and risks associated with the country. The United Kingdom Market Evaluation Canvas presented below provides a framework that guides senior leaders through a series of questions that helps them evaluate whether the UK is the right country for their firm. Business leaders need to be honest with themselves on the reasons why they are interested in expanding their business to the UK and whether they have done sufficient due-diligence to ensure that they understand the opportunities and risks associated with expanding their business to the island nation.



## UK Market Evaluation Canvas

Market	Strengths and Opportunities	Risks and Threats
<p><b>Unmet need/market demand</b></p> <ul style="list-style-type: none"> <li>What specific unmet need is my product addressing in the UK market?</li> <li>What is the total addressable market (TAM), serviceable available market (SAM), and service obtainable market (SOM) for my product in the UK? How does this compare to other countries in Europe?</li> </ul> <p><b>Customer</b></p> <ul style="list-style-type: none"> <li>Who are my customers in the UK?</li> <li>If I am selling to businesses, what is the likelihood that they might leave the UK, or shift their operations to other European countries if the UK leaves the EU?</li> <li>If am selling to UK citizens, would demand for my product shift as a result of Brexit?</li> </ul> <p><b>Competition</b></p> <ul style="list-style-type: none"> <li>Who are my main competitors in the UK market? How does this compare to the rest of Europe?</li> <li>How will Brexit impact the competitive landscape in the UK?</li> </ul>	<p><b>Strengths and Opportunities</b></p> <ul style="list-style-type: none"> <li>What unique strengths and/or opportunities does the UK market offer that is particularly attractive for my firm? <ul style="list-style-type: none"> <li>Is my business in a position to directly benefit from the UK's unique market strengths and opportunities?</li> </ul> </li> <li>Do other European countries have similar strengths or offers similar opportunities for my firm?</li> </ul>	<p><b>Risks and Threats</b></p> <ul style="list-style-type: none"> <li>With the exception of Brexit, what unique risks and threats is my business exposed to in the UK? <ul style="list-style-type: none"> <li>Do these risks and threats exist in other European countries?</li> </ul> </li> <li>In the event of a no-deal Brexit, what are the short term and long term risks to my business? <ul style="list-style-type: none"> <li>How do these risks and threats change if the UK exits with a deal?</li> <li>What are strategies I can employ in order to minimize the risks associated with the UK leaving the EU?</li> <li>Do these risk outweigh the benefits of conducting business in the UK?</li> </ul> </li> </ul>

### Doing business in the UK

<p><b>Market entry</b></p> <ul style="list-style-type: none"> <li>What is my market entry strategy? Do I want to open a local office, sell through partners and distributors, sell virtually, or are there other options that I can explore?</li> <li>Would my entry strategy be impacted if the UK leaves the EU?</li> <li>Am I using the as an entry point into the rest of Europe? <ul style="list-style-type: none"> <li>If so, is the UK a significant or minor aspect of my European expansion strategy?</li> <li>How would Brexit impact my ability to sell into Europe from the UK?</li> <li>Are there other European countries that I should consider launching from?</li> </ul> </li> </ul>	<p><b>Talent</b></p> <ul style="list-style-type: none"> <li>What is my strategy for finding and hiring talent in the UK? How might Brexit impact my ability to find and hire talent?</li> <li>Will I be sourcing my talent from the UK, or continental Europe? <ul style="list-style-type: none"> <li>If I am hiring from continental Europe, how might Brexit impact my hire from working in the UK?</li> </ul> </li> </ul> <p><b>Supply chain and manufacturing</b></p> <ul style="list-style-type: none"> <li>Have I fully mapped out my supply chain from end to end? <ul style="list-style-type: none"> <li>What portion of my supply chain is located in continental Europe?</li> <li>Would this supply chain be disrupted if the UK leaves the EU? If so, how would it impact my ability to conduct business?</li> </ul> </li> </ul>	<p><b>Regulations</b></p> <ul style="list-style-type: none"> <li>What regulations do I need to follow in order to sell my products in the UK? In continental Europe?</li> <li>What is the likelihood that these regulations would change if the UK leaves the EU? <ul style="list-style-type: none"> <li>How would my business be impacted if I need to satisfy separate regulatory policies for the UK and EU in order to sell into these two markets?</li> </ul> </li> </ul>
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