Summary:

Brexit Survey – November 2016

These results will not be used to take a political stance. They will inform our sector's Brexit negotiations and emphasise to government what our business needs are to ensure future success.

Respondent information

195 people responded to the Brexit survey.

Organisation membership

Respondents were members of the following organisations:

Table 1: Response by membership organisation

Organisation	Number of respondents
Chartered Institute of Marketing	43
Institute of Practitioners in Advertising	41
Market Research Society	40
Direct Marketing Association	40
Internet Advertising Bureau	26
Institute for Direct and Digital Marketing	20
Institute of Promotional Marketing	19
Total Responses	195

Company Size

Over half of respondents were small enterprises that have fewer than fifty permanent employees (55%).

ADVERTISING ASSOCIATION

Table 2: Size of company by number of permanent employees

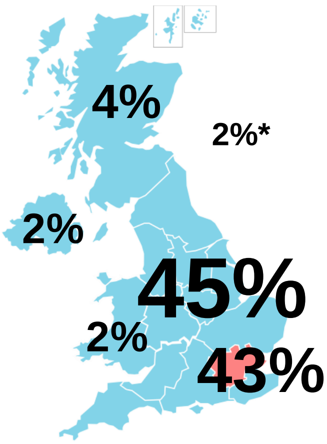
Number of employees	Percentage of respondents
Up to 10	24%
11-50	31%
51-100	15%
101-250	15%
251-500	5%
501-1000	5%
More than 1000	5%

Base = 192

Company location

The majority of respondents were from London, representing over 43% of those surveyed. 45% were from elsewhere in England. In addition, 3% of respondents were based in multiple UK locations.

Figure 1: Geographical location of responding companies

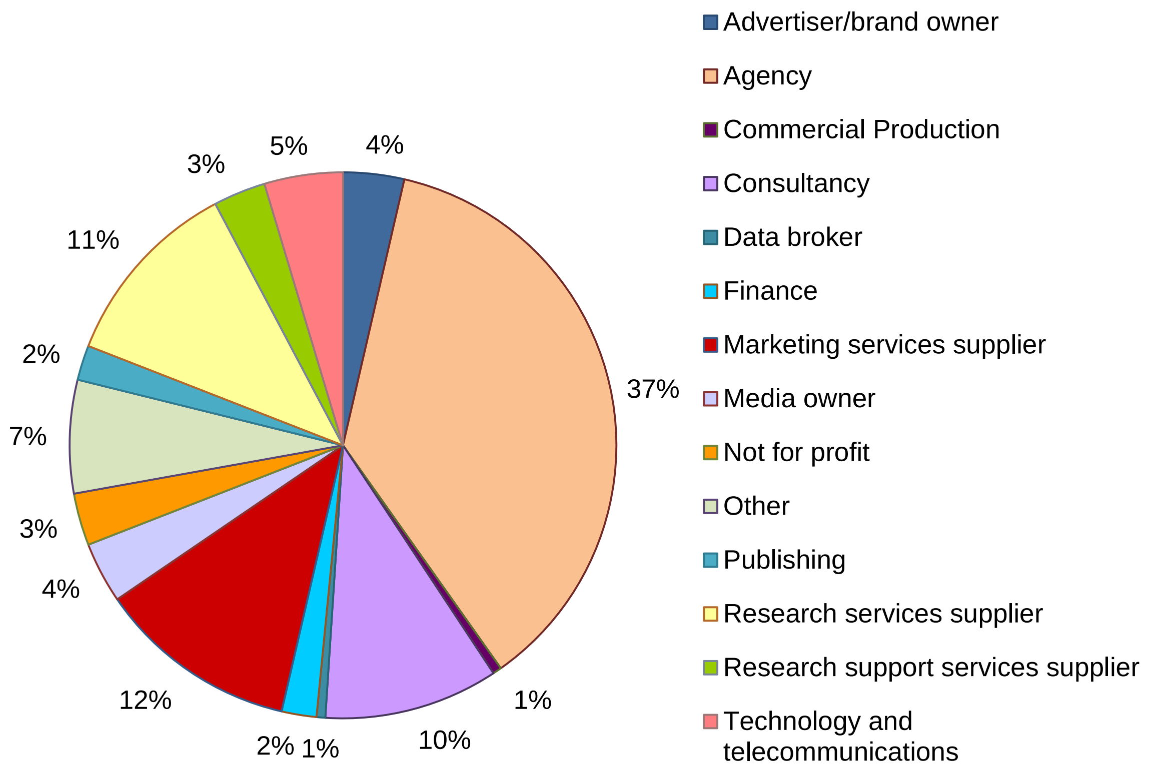


* Companies located outside the UK.
Base = 190

Type of company

Over a third of respondents were agencies (37%). After this, research support services suppliers, marketing service suppliers and consultants were the most common types of company to complete the survey.

Figure 2: Type of responding companies



Base = 194

<u>EU and International Trade</u>

Respondents were most likely to service international clients (71%), followed by working closely with international partners (60%) and exporting to EU markets (46%).

Table 3: Type of international engagement

Service international clients	71%
Work closely with international partners	60%
Export to EU markets	46%
Recruit staff from overseas	40%
Export to international markets outside the EU	37%
Benefit from inward investment	19%
None of the above	10%

Impact of Brexit

On average, 28% of a company's total revenue is earned in the EU (excluding the UK).

Six out of ten respondents (62%) said that the UK's decision to leave the EU had negatively affected the economic outlook of their businesses. 35% of respondents blamed this on a slowdown in the demand for services and a loss in revenue.

<u>UK's outward image</u>

Two thirds (66%) of respondents stated that the UK's decision to leave the EU has made the UK a less attractive place to do business.

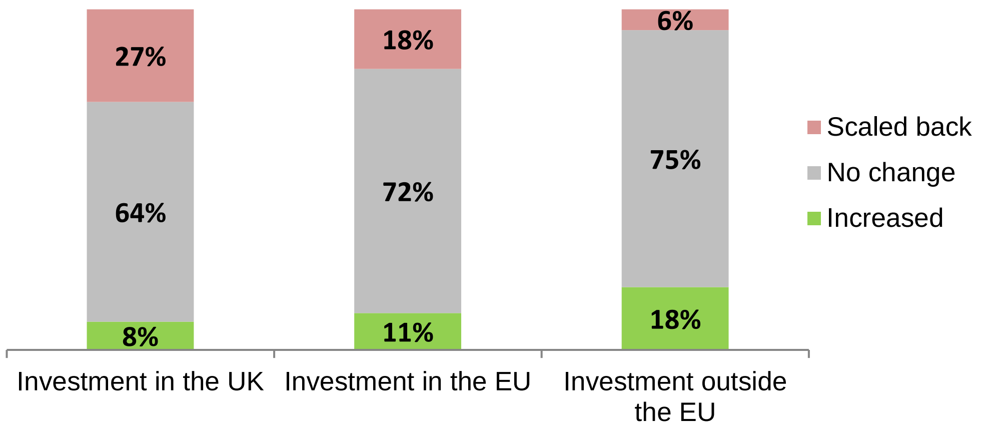
One respondent talks of looking elsewhere, "as a company from outside the EU, the UK has always been the place to base [a business] before expanding into the rest of Europe… Berlin would be a better place for a start-up right now."

However, the majority of responses were slightly more optimistic about the UK's future, "I say [the UK is a] less attractive place to do business but I really mean this more for the short-medium term… uncertainty is exceptionally difficult for commerce to navigate.''

<u>Company investment</u>

The vast majority of respondents have made no changes to their investment plans since the EU referendum. One company reflects this by saying "the big strategic business goals remain the same globally, regionally, locally."

Figure 3: Change in company investment as a result of Brexit



Base = 169, 120, 114

Nonetheless, the most significant adjustment in business investment is in UK outlays. 27% of respondents have scaled back their investment in the UK. This is considerably larger than the equivalent figures for EU investment (18%) and investment outside the EU (6%). A popular reason behind scaled back spending was as a result of a "downturn in client spend, [which] has led to restructuring."

The UK also had the smallest increase in investment from companies. Just 8% of respondents have increased their UK investment since the EU referendum. Investment outside the EU has increased in almost a fifth of respondents (18%); “[We have] currently increased business development efforts in non-EU international markets.”

Business contracts

Over four times as many respondents had lost business or contracts (22%) than gained business or contracts (5%), as a result of the UK’s decision to leave the EU. However, it has had no impact on the majority (73%).

Table 4: Has your company lost or gained business or contracts as a result of the UK’s decision to leave the EU?

	Percentage of respondents
Neither lost nor gained business or contracts	73%
Lost business or contracts	22%
Gained business or contracts	5%

Base = 193

Recruitment

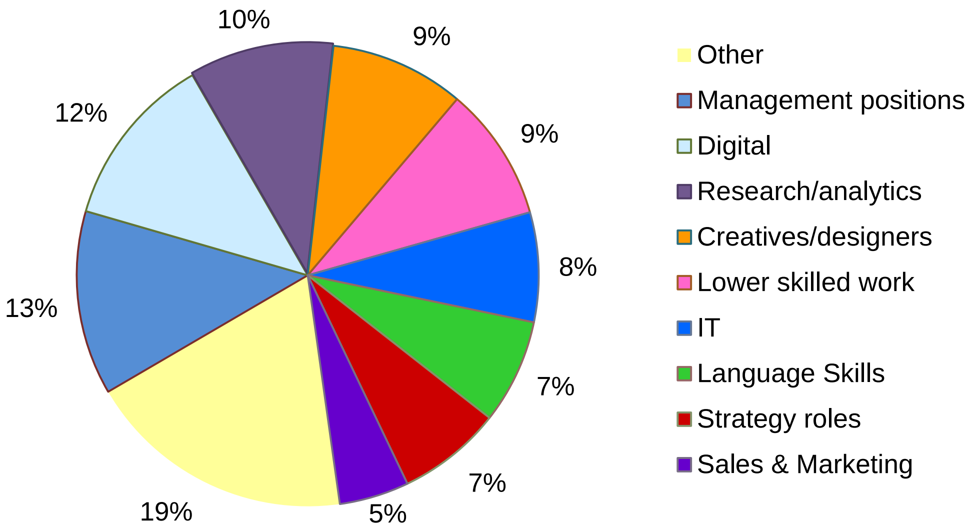
EU staff

Seven out of ten (72%) respondents employ staff from outside the UK. On average, 19% of a company’s workforce is made up of non-British EU nationals.

Frequently recruited roles for EU Nationals

Roles most commonly recruited from outside the UK are for managerial (13%), digital (12%) and research or analytical (10%) positions.

Figure 4: Skills and/or roles companies most commonly recruit from outside the UK



Base = 287

Future Concerns

63% of respondents are apprehensive about being able to retain non-British EU workers post Brexit. Nearly six out of ten (58%) said that the inability to recruit non-British EU nationals would affect their company's ability to grow.

To attract more talent to the UK, the biggest proportion of respondents (39%) said they wanted the free movement of people within the EU to continue post-Brexit; "it would be nice to see a longer-term proposal that allowed current and prospective employees a smooth and clear path either to remain in the UK or to settle here."

However, 32% of respondents said that they would look to employ more people from within the UK or outside the EU, rather than focus on EU talent.

Table 5: Is there anything you would like introduced in order to encourage more EU talent to the UK?

	Percentage of respondents
Yes. The free movement of people	39%
No. Employ more people from the UK/ outside EU	32%
Yes. Skilled quotas	11%
Yes. Fewer administrative procedures	11%
Other	7%

Base = 28

International Markets

International Growth

Respondents were divided on whether Brexit offered their business opportunities for international growth. 23% agreed it does, 38% were unsure and 39% concluded that it does not offer growth opportunities.

Possible advantages of Brexit were listed as a lower exchange rate, the prospect of better trading outside the EU and, fewer EU regulations.

Ranking international markets

Respondents were asked to state which markets were most important to the current and future success of their businesses.

The USA, Germany and France came out top, ranking as the most important markets for the current success of companies, whilst also offering the most potential for future expansion.

China and India are the only countries whose growth potential outweighs their current importance.

Table 6: Current and potential importance of international markets

Top 10 most important international markets	Percentage of respondents	Top 10 markets with the most potential to expand	Percentage of respondents
1. USA	55%	1. USA	45%
2. Germany	54%	2. Germany	39%
3. France	43%	3. France	36%
4. Other EU	31%	4. Other EU	24%
5. Australia/ New Zealand	23%	5. China	20%
6. Spain	22%	6. Spain	17%
7. Italy	22%	7. Canada	15%
8. Canada	22%	8. India	14%
9. China	17%	9. Australia/ New Zealand	12%
10. Middle East	13%	10. Middle East	12%

Base = 173, 171

Trade

When asked what barriers to trade, legislative or otherwise, respondents would like removed or changed, nearly half (48%) stated that they did not require anything different to be done.

However, the biggest barrier amongst those who did want change, was in relation to EU legislation: “[dissolve our] membership of the EU, because that stops us from negotiating better/more trade deals”; “the UK's tendency to over-implement EU regulations and directives, which will evaporate when we exit.”

London compared with the rest of the UK

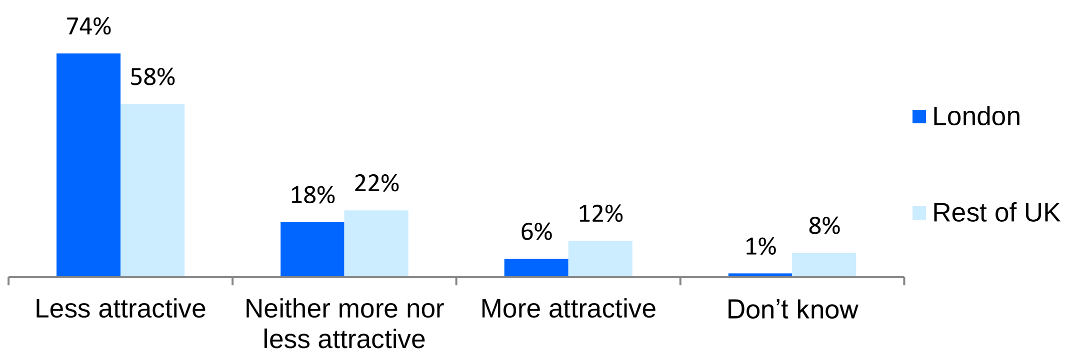
There is a contrast between respondents based in London and the rest of the UK.

On average, 33% of a London company's revenue is earned in the EU; this drops to 22% outside of London.

Overall, respondents in London have a higher average percentage of non-British EU workers; 23% of their workforce is made up of non-British EU nationals, compared with 14% in the rest of the UK.

Respondents based in London were more likely to agree that the country's decision to leave the EU has made the UK a less attractive market than the rest of the UK, 74% vs 58% respectively.

Figure 5: Has the decision to leave the EU made the UK a less or more attractive place to do business? London vs rest of the UK



Base=181

Key themes emerging

<u>Investment decisions</u>

Many companies surveyed have maintained their current levels of investment. However, investment in the UK has been scaled back more than investment in the EU and internationally.

<u>Employment</u>

If the UK's negotiations to leave the EU make it difficult to employ non-British EU nationals, the majority of companies who participated in this survey will be negatively affected. This is likely to particularly impact managerial, digital and research/analytical positions.

Business opportunities

The majority of companies do not see the UK's decision to leave the EU as a business opportunity. Two of the markets that are most important to the current success of companies, Germany and France, are in the EU. It will be crucial that good business relations are maintained with these countries during the negotiations, to assure market stability.