

**Evaluation of UK
Trade &
Investment's
Tradeshaw Access
Programme**
Executive Summary
prepared for

**UK Trade &
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Prepared by

London Economics

September 2008

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Executive Summary

Introduction

London Economics was commissioned in September 2007 by UK Trade & Investment (UKTI) to undertake an impact evaluation of the Tradeshow Access Programme (TAP), and its predecessor programme Support for Exhibitions and Seminars Abroad (SESA).

The evaluation sought to clarify the economic rationale for government support for trade fairs, assess the effectiveness of the current TAP scheme, and suggest areas for further research.

Rationale for Government support for Trade Fairs

Attendance by firms at trade fairs provides a number of advantages. Most obviously, trade shows provide a direct selling opportunity for attendees, and so should provide firms with an increase in sales and exports (in the case of overseas trade fairs). However, a significant proportion of firms (both exhibitors and visitors) participate in trade fairs for other reasons such as relationship building, profile raising and information gathering.¹

Given that these benefits exist, government support for trade fair attendance can be justified in four ways.

- First, and most clearly, government support can encourage firms to attend trade fairs that would not otherwise have done so. In particular, this is justified by the need to overcome the possible information asymmetries relating to attendance at trade fairs (i.e. until firms have participated in a trade fair, they will be unable to ascertain the benefits).
- Second, attracting additional firms to trade fairs has benefits for those participants that would attend trade fairs in any event. All participants at trade fairs benefit from the attendance of new (and particularly innovative) firms, through the increased opportunity to discover new products and ideas (network benefits).

¹ SQW Consulting "A literature review on the Economics of Trade Fairs and the Role of the Public Sector", final report to UKTI, January 2008.

- Third, as well as aiding the participation of firms at trade fairs, government support may also improve the results that firms achieve through their attendance. This can be seen as part of the rationale for the organisational and logistical support provided (by sponsors) through TAP, as well as the profile-raising activities supported at Key Events.
- Fourth, promoting the UK presence at trade fairs may have wider benefits for UK firms more generally through raising the perception and profile of UK industry internationally (i.e. the scheme may have positive externalities).

Overview of TAP support

UK Government support for trade fair attendance has existed for a number of years, although there have been frequent changes in the exact nature and targeting of the assistance (for instance, TAP itself has only existed since April 2006).

TAP supports UK firms at overseas trade fairs in two ways. The first form of support is through the offer of financial support for eligible organisations to exhibit at trade fairs overseas. This financial support is available primarily for firms participating as part of a UK group (TAP Group), but there is also some support for firms participating individually (TAP Solo)².

Secondly, UKTI provides grants to Accredited Trade Organisations (ATOs) to provide marketing and/or promotional support to raise the profile of the UK Group at specific key exhibitions (“Key Event” funding). The ATOs also act as intermediaries between UKTI and firms receiving TAP support, and play an important role in recruiting firms to TAP, organising groups of firms to attend exhibitions, and handling TAP applications.

The key objectives of the TAP scheme are to:

- help new exporters overcome initial barriers to export;
- help high technology businesses and firms that are new to emerging markets learn how to use overseas trade fairs as part of their trade development plans; and
- help UK firms maximise the benefits from exhibiting at overseas trade fairs.

² The Solo scheme operated as a pilot from March 2003, before being established as part of TAP in 2006.

In total the TAP programme budget is around £8 million per annum, of which approximately 75% is used for grants to firms to participate in overseas trade fairs, with the remaining 25% used to support promotional activities at Key Events.

In recent years, and in particular since the inception of TAP in 2006, the scope of the programme (as well as the available budget) has been significantly narrowed. The programme is now focussed exclusively on trade fairs (it previously incorporated seminars and vertical missions) and eligibility for support has been tightened.

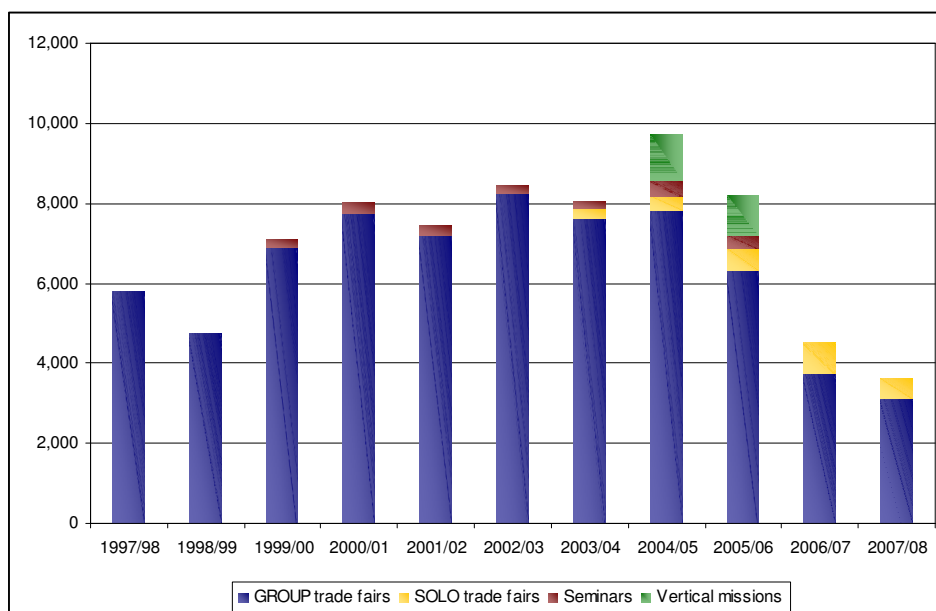
Support is now available only to UK-based Small and Medium sized Enterprises (SMEs) who are:

- new-to-export (based on percentage of turnover resulting from exports);
- new to (high priority) markets; or
- exhibiting at high technology trade fairs.

In addition, firms are also now restricted to receiving no more than 3 TAP grants in the firm's lifetime (the "3x rule").

As Figure 1 indicates, this has corresponded with a decline in the number of grants offered through the scheme. In 2007/08, approximately 3,600 TAP Group and TAP Solo grants were made, in comparison to the historic high of over 8,000 in 2002/03.

Figure 1: Number and type of TAP/SESA participations 1997-2008



Source: TAP database.

Methodology

Data sources

The evaluation drew on a wide range of data sources, including:

- TAP database consisting of UKTI information regarding the grants issued over the previous ten years;
- Previous waves of the UKTI Performance and Impact Monitoring Survey (PIMS);
- Amadeus financial database;
- Quantitative survey of TAP-funded and non-TAP-funded firms; and
- Qualitative consultation with ATOs and International Trade Advisors (ITAs); and
- Previous evaluation work and literature relating to trade show attendance

A summary of the methodology used for the quantitative and qualitative surveys is presented below.

Quantitative survey

To undertake a rigorous evaluation of the TAP programme, a key element of the study's methodology was to identify an appropriate counterfactual – i.e. what firms would have done in the absence of TAP. In order to achieve this, UKTI information relating to the firms that have received TAP Group support was linked to the Amadeus financial databank. A group of non-TAP-funded firms was then matched using a propensity score matching model based on the characteristics of the TAP-funded firms.

Following this matching process, the resulting sample of firms was used as the basis for a quantitative survey of firms administered by OMB Research. A total of 741 firms were interviewed, incorporating 272 TAP-funded firms and 469 non-TAP-funded firms.

The survey results were then analysed in two ways – through descriptive analysis, and an econometric analysis of the survey data in combination with data from Amadeus. Unfortunately, various data issues meant that we were unable to obtain robust results from the econometric element of the analysis.

Qualitative survey

The second element of the data collection exercise involved a series of quantitative interviews with the bodies that administer TAP. This included Accredited Trade Organisations (ATOs) who organise delegations to overseas trade fairs (TAP Group support); and the International Trade Advisers (ITAs) that administer the Solo aspect of TAP.

A total of 77 ATOs and 17 ITAs were invited to participate based on information provided by UKTI and responses from a total of 21 ATOs (including two written responses) and 11 ITAs were achieved.

Main results

Quantitative survey

Benefits of attending trade fairs

The survey indicated that firms experience a wide range of benefits from attending trade fairs. This includes a significant impact of trade fair attendance on sales and profit – with some two fifths of firms indicating that their sales would decline by more than 10% per annum if they did not attend any trade fairs. On average, the financial benefit from exhibiting at a single

trade fair (in terms of net profit including discounted future values) was estimated to be approximately £40,000 per company.

As well as these direct financial impacts, the information collected from the survey also indicated that firms experience a much wider range of impacts. These included factors that aid overcoming barriers to market entry, such as making business contacts, increasing company profile overseas, and learning about overseas markets. Each of these potential impacts was rated highly by companies and their potential importance was reflected in the fact that over 60% of exhibitors used trade fairs to enter new markets.

Notably, firms also experienced substantial impacts from attending trade fairs in terms of product innovation, making improvements to products and services, making improvements to product and service development and investing more in R&D. Further, the majority of firms believed that their attendance at a particular trade fair would improve their firm's productivity in 5 years time. This suggests that firms' attendance at trade fairs can contribute to UK innovation and productivity.

The evaluation also considered the benefits to visitors from attending trade fairs. The results indicated that visitors experience the same types of benefits as exhibitors – but generally these were less significant in size. The exception to this was, however, in the areas of making improvements to products and services or gaining new ideas about products, in which visitors experienced equal or greater – impacts than exhibitors.

Impact of TAP

The survey results indicated that UK Government support is able to impact firms' decisions to attend trade fairs.

Despite the fact that TAP grants account for only a small proportion of firms' costs in attending trade fairs, a significant proportion – around a third of firms – stated that they would not have attended a particular trade fair in the absence of support (with the proportion higher amongst smaller firms and newer exhibitors). The scale of this finding was also supported by the results of both willingness-to-pay questions, and also the findings of the econometric analysis.

This level of additionality supports a rationale for TAP based on the possible existence of market failure – that is that firms fail to attend trade fairs even though they would benefit from doing so. A likely explanation for this market failure is a lack of information for firms regarding the benefits they can achieve from attending trade fairs. Specifically, if firms have full information over the benefits associated with trade fairs, the only impact of providing funding would be the reduction in the cost faced by firms. Given that trade fairs represent a small cost to firms (relative to the overall costs of running the business) if the market was characterised by full information,

then we would not expect the grant to convince many firms to attend trade fairs. The fact that this is not the case – and around one third of the TAP-funded firms surveyed were convinced to attend by the existence of the grant – suggests that TAP support helps firms attend for reasons that are not necessarily financial.

Further evidence for this was also provided by the results achieved by firms that have not attended trade fairs. This indicated that a large proportion of firms had considered attending trade fairs, but had not done so. Costs and a lack of firm capability were presented as two important reasons for non-attendance; implying that government support in these areas could help firms make the commitment to attend.

Qualitative survey

TAP Group compared to TAP Solo

The qualitative surveys provided more insight into the ways in which TAP support can assist firms; and also the differences between the TAP Group and TAP Solo aspects of the funding.

The consultation illustrated a widespread belief that the advice and support offered to firms as part of TAP was as important to encouraging attendance – and also maximising the results achieved – as the financial support provided by UKTI. The feeling was that these two aspects work together to encourage participation and that the grant is key to attracting new firms.

In terms of the specific benefits associated with the TAP Group scheme, ATOs highlighted the logistical support they offer (including organising travel, accommodation and liaising with trade fair organisers), the networking events and services that are organised on behalf of companies in a delegation, and the ability to make a greater impact due to the UK branding offered at trade fairs. This was seen as particularly relevant to smaller firms – and new exhibitors in particular – who may not have the capacity to carry out many of these services themselves, and who may “get lost” if they exhibited alone at a large trade fair.

TAP Solo on the other hand, by providing firms with the opportunity to exhibit independently, was seen as offering firms greater flexibility. This allows them to select a trade fair that is most appropriate to their product and market position. There was a feeling amongst ITAs that this is more relevant to smaller companies who are more likely to have niche products, and who may be unable to make a significant impact at a larger trade fair.

Role of ATOs and ITAs

The qualitative assessment indicated differences in the way that ATOs and ITAs perceive their role as part of TAP. ATOs tended to focus on their role in promoting all the companies in the sector – with TAP as a helpful tool to aiding specific companies. This was reflected in their (general) belief that screening firms for TAP eligibility was not part of the function that they provided. ITAs on the other hand, reflecting their wider responsibilities, seemed to operate from a more micro perspective by focusing on assisting companies to move into export markets.

Concern over eligibility criteria and size of grants

The consultation indicated some concern – particularly amongst ATOs – regarding some of the eligibility criteria currently in place for TAP funding. Most commonly, a number of respondents were critical of the 3x rule which, it was believed, would limit the number of companies able to receive funding and in some sectors would effectively remove funding entirely.

This issue was frequently mentioned along with the explanation that often firms need to attend trade fairs several times in order to make an impact and enter new markets – particularly in the case of emerging markets where face-to-face contact and personal relationships are particularly important.

Some ATOs also voiced concern that many “worthy” companies were not eligible to receive support either because they failed to meet the “new-to-export” criterion or were subsidiaries of larger firms. A few ATOs also felt that the focus on SMEs was incorrect, with a more holistic approach to promoting “UK plc” required.

In addition, there was a widespread feeling that the level of grant is currently too low – and approaching a level where it will have no impact on firms. In fact, some ATOs stated that they now plan activities on the basis that no TAP funding will be available.

Cost benefit analysis

The cost-benefit analysis of TAP estimated that the total benefit of the programme in 2007/08 amounted to £57.1 million. Given the programme costs of £11.2 million, the estimated benefit-cost ratio is **5.1**.

However, this estimate only incorporates the direct benefits to firms themselves from exhibiting at a particular trade fair, and so may underestimate the total benefit of the programme.

In particular, the estimate may not include some impacts in terms of knowledge and productivity as well as broader ‘spillover’ effects (i.e. to other British firms) resulting from the promotion of British industry at overseas

trade fairs. Further, it does not incorporate other benefits firms may obtain through TAP (apart from deciding to attend at a particular trade fair) – such as exhibiting at further trade fairs in the future (without TAP support) or performing more effectively at a trade fair as a result of receiving support.

Conclusions

Rationale for government support for trade fairs

The evidence gathered during the evaluation pointed primarily to a rationale for government support based on market failure. Specifically, in the absence of government support for trade fair participation, too few firms would choose to exhibit, based on a lack of understanding of the likely benefits from attending (for instance).

The evaluation evidence illustrated that trade fairs provide firms with a wide array of benefits, including not only increased sales and profits, but also the ability for firms to overcome barriers to entry into new markets (through making contacts, increasing knowledge of overseas markets, improving profile and improving ways of doing business overseas). In addition, the results indicated that trade fairs assist firms in improving existing products and gaining knowledge about new ones; improving product development and increasing R&D. This suggests that supporting attendance can positively affect UK innovation and productivity.

There may also be wider spillover effects from TAP, from the role that trade fairs play in promoting industry in overseas markets. However this specific effect was difficult to quantify as part of this analysis.

There was considerable support for both the TAP Group and TAP Solo schemes from the evaluation evidence collected and in particular amongst International Trade Advisors. The two different routes were perceived to offer firms with flexibility, and allow TAP to reach a wider pool of appropriate firms.

Effectiveness of TAP

The evaluation provided mixed evidence as to TAP's ability to meet its programme goals. Firms do achieve benefits from trade fairs, and TAP support influences their decision to attend. This suggests that the programme is succeeding in its general aim of helping British firms succeed at trade fairs.

However, the scheme does not currently appear to be focused on UKTI's strategic priorities and the firms currently engaged in the scheme did not appear to consistently reflect the criteria for TAP eligibility.

In particular, the scheme does not appear to be focused on helping firms move into emerging markets. Notably, there are relatively few delegations to emerging markets, despite these being the specific markets where firms are likely to require the most logistical support. Further, the current criteria focus to a greater extent on new-to-export firms rather than firms looking to expand into new markets. In particular, the 3x rule may prevent firms from receiving support to enter emerging markets for the first time .

A further issue raised during the evaluation was the level of additionality of TAP, in terms of the number of firms that receive a grant that would not have attended a trade fair in the absence of the grant. The estimate of additionality for the programme as a whole is around 40%. To some extent the fact that some of the TAP resources are 'leaking' away from the intended recipients may be a necessary drawback that is associated with getting resources to the most appropriate recipients. Ex ante, it is clearly not possible to identify firms that would have attended trade fairs without funding in any case.

Despite the apparent low level of additionality, this does not imply that the resources received by firms attending trade fairs (that would have attended in the absence of TAP) are wasted. It is entirely plausible that these firms exhibit more effectively (offering additional services) when they receive a grant.

Recommendations

Clarify strategic focus

Given the general attractiveness of trade fairs across a number of sectors and the level of funding currently available, there is a need for the strategic focus of the scheme to be clarified, which will in turn allow a more rigorous monitoring and assessment of the programme. There appears to be a need for a clearer prioritisation and presentation of the various goals of TAP that can be easily communicated to all stakeholders; and used as a clear basis of the rationale and expected outcomes of the trade fair attendance supported by TAP.

Reconsider the current balance of funding between Group and Solo

Currently TAP is weighted heavily towards provision of support through the Group element of the scheme, which accounts for over 85% of both participations and programme spend. However, the evaluation failed to find any specific justification for this – given the fact the benefits received by Solo participants may be greater than those receiving Group support.

This suggests that further research is required to identify the most appropriate balance of funding. In particular, more information is required on the existence and quantum of the spillover effects that are achieved through Group provision. Further, the advantages that TAP Group offers in

terms of reducing the administrative cost and burden on UKTI also need to be considered in detail when determining the allocation of funding.

Aligning eligibility criteria with strategic objectives

TAP's priorities should be reflected more clearly in the eligibility criteria. At present, these appear to conflict – the 3x rule is a likely inhibitor to continued expansion into emerging markets, but makes sense in the context of aiding only new-to-export firms. Further changes could also be introduced to help firms in the highest priority markets/sectors. This might be achieved through allowing higher numbers of grants for trade fair attendance in emerging markets, or alternatively varying the funding available depending on the trade fair attended.

Aligning delegation selection with strategic objectives

It is likely that the composition of the UK group affects the extent to which spillover effects are achieved (for instance a mixture of experienced and inexperienced exporters may allow both groups to learn from the other). As such, we expected that selecting the firms to participate in a delegation would be seen as an important part of ATO's role. However, the qualitative survey indicated that this was not the case, with ATOs generally taking all firms that were interested as part of the delegation, operating on a first-come first-served basis in (the minority) of cases where limited capacity was an issue.

This suggests that, to the extent that reputation and spillover effects are seen as a key benefit of TAP, the benefits associated with trade fair attendance may be increased by more active selection policies to ensure that firms participate in trade shows on the basis of expected outcomes including the impact on the reputation of British industry.

Strengthen support for visitors to trade fairs

The evidence gathered in the evaluation highlighted the substantial benefits that firms achieve through visiting overseas trade fairs, particularly in terms of gathering ideas about new products and services. This suggests that there may be a rationale for government support for trade fair visitors – particularly at trade fairs where innovative products have a significant presence (such as the trade fairs currently designated as “high technology”).

Improve programme marketing

There appears to be room for improvement in the marketing of TAP to firms not currently attending trade fairs. The analysis indicated that even firms anticipating benefits from attending trade fairs were often unaware of the

potential support. Developing an appropriate communications strategy for all of TAP's stakeholders could aid this process.

More capability building activities

The evaluation evidence suggested that there may be potential benefits from UKTI providing further exhibition training – particularly for TAP Group recipients. Many ITAs mentioned that this was provided to their clients (particularly through the Passport-to-Export programme); however, in general, ATOs did not offer similar services (with advice provided on a more ad hoc basis). The possibility of making this type of training mandatory to grant recipients could also be explored further.

Consider role of embassies and posts

The qualitative survey indicated an appetite for UKTI to provide further market information and on-the-ground support. However, while we suggest that UKTI examines the potential for improvements in this area, we note that a detailed examination of these services was beyond the scope of this evaluation. In particular, we were unfortunately unable to obtain the views of the overseas posts and embassies in this respect.

Further research and evidence gaps

This evaluation has provided a substantial amount of evidence examining the impacts of attending trade fairs on firms, and estimating the impact of government funding on firm attendance. However, the general approach taken in this study could be complemented by a more detailed examination of the experience of firms attending trade fairs. This could, potentially, be achieved through a series of case studies of some major trade fairs, and the examination of the channels through which the various elements of TAP support (both the receipt of grants and participation in a delegation) impact both TAP-funded and non-TAP-funded firms.

As well as furthering the understanding of how trade fairs affect firms, this identification of good practice could also act as a tool to encourage more firms to attend trade fairs, through illustrating that similar firms have benefited in the past. In addition, this type of analysis may provide examples of best practice to the various stakeholder organisations (e.g. ITAs and ATOs) that work with firms exploring the possibility of attending trade fairs.



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