



What does Brexit mean for UK scale-ups?

Consumer Edition

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Britain is currently amidst an era of profound transformation as it forges a new global identity free from the bounds and constraints of the European Union (EU). Since Theresa May's triggering of Article 50 on 29 March, the UK Government has been proactive in its efforts to open the country's private sector to new business and investment opportunities through economic alliances. With Brexit's founding premise positioned to support the development of a world-leading Brand Britain, the next two years of negotiations will allow the country to redefine its position as a global trading power.

To support the country during this pivotal moment of transition, Asset Match has launched a series of national research reports to chart the sentiments of the UK's consumers, investors and entrepreneurs towards British scale-ups. To be distributed over the course of 2017, this body of research will provide a benchmark from which to measure sentiment towards British SMEs by dissecting the three pillars of society that collectively define the success of the private sector. In this unfolding period of change for the UK economy, the success of the country's Brexit agenda is weighted across the support it receives not only from its trade and investment partners, but also from the consumers, investors and entrepreneurs that drive productivity, foster innovation and support private sector growth.

In the inaugural edition of the three-part series, this report has surveyed a nationally representative sample of 2,000 UK consumers to uncover their sentiments towards the country's bustling private sector, and their perception of the impact Brexit will have on the future of British businesses. The findings reveal a community of consumers overwhelmingly confident that UK companies will benefit from the new opportunities arising as a consequence of Britain's withdrawal from the EU. Moreover, the study demonstrates that consumers are intending to consciously spend their money with British businesses and brands over foreign counterparts to boost the nation's private sector at this critical juncture in its long-term development.

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Immediately following the announcement of the EU referendum result in June 2016, there was initial speculation that the buoyant forces underpinning Britain's robust economic growth would be replaced by a hesitant and risk-averse community of investors and consumers. In reality, the British economy performed better in the second half of 2016 than it did in the first six months of the year, with GDP growing by an impressive 2% – faster than any other G7 country.

One of the primary factors driving Britain's economic growth continues to be its diverse community of consumers. In Q4 2016, [the total volume of retail sales](#) spiked to its highest level since 2004, representing a 6% increase on 2015's figures. The reason for this remarkable performance is due to the consistently strong levels of consumer confidence across the British Isles. At the end of last year, an annual poll by [Nielsen](#) found that consumer confidence grew over the course of 2016, striding ahead of the European average. Importantly, more than half of consumers surveyed felt confident in purchasing expensive products and high-value items such as cars and houses – the highest level in the Nielsen poll's 12-year history. As a result of consumer confidence and spending, the Bank of England and the International Monetary Fund have upgraded their growth prospects for the UK economy to 2% in 2017.

We asked 2,000 UK consumers about their sentiment towards British businesses in light of Brexit negotiations triggered on 29 March 2017, finding:

- 53% of UK adults – 27.21 million people – think Brexit will open up new opportunities for UK companies to expand globally
- Half (50%) of respondents plan to make a conscious effort to spend money with British businesses and brands during the two-year Brexit negotiation period
- 25.16 million people (49% of all UK adults) believe entrepreneurs will be the champions of the UK's post-Brexit economy
- 46% are confident the UK will emerge from Brexit in a strong economic position, with a further 28% thinking that the nation's departure from the EU will have no immediate impact on the health of the private sector
- Over two-fifths (43%) of Brits believe businesses will benefit from Brexit more than any other group over in the UK

Measuring Consumer Sentiment towards British Businesses

Boasting a world-renowned community of SMEs that account for £1.8 trillion – or 47% – of all private sector turnover in the UK, the number of businesses operating in Britain has been expanding at annual rate of 3% since 2000. There are approximately 5.5 million private businesses currently in the UK today, 99.9% of which are SMEs – extending from sole-traders and start-ups to leap companies and scale-ups.

After a year of strong economic performance driven in no small part by consumer confidence and household spending – Asset Match asked 2,000 UK consumers about their attitudes towards British businesses in light of Brexit negotiations commencing on 29 March 2017. The research found that despite the official beginning of Britain's withdrawal from the EU, consumer confidence towards the private sector, and in particular UK scale-ups, remains strong.

Just under half (49%) of British consumers think that entrepreneurs will be the champions of the UK's post-Brexit economy – equating to 25.16 million people across the British Isles. For Londoners and the older generation (people aged over 55), the proportion of respondents optimistic towards the entrepreneurial talent of the UK's scaling SMEs rose to 55% and 57% respectively. The research also found that 53% of consumers think Brexit will open up new opportunities for UK companies to expand globally – equating to 27.21 million people across the country. Moreover, two in three consumers aged over 55 are optimistic that leaving the EU would boost the nation's businesses as they seek overseas expansion.

In line with the confidence UK adults have regarding the prospects of the private sector during Brexit negotiations and beyond, the survey also uncovered a clear agenda among consumers to do their bit to support the country's scaling companies. The survey found that 50% of UK adults (over 25 million people) plan to make a conscious effort to spend money with British businesses and brands during the two-year Brexit negotiation period that is now underway. These findings correlate with recent research by [GS1 UK](#), which revealed that 80% of consumers placed significant emphasis on the heritage, provenance and traceability of a product when selecting a particular brand.

Supporting UK Scale-ups

The Asset Match research found that consumers are receptive towards the benefits on offer for British businesses. Over two-fifths (43%) of consumers said they believe businesses will benefit from Brexit more than any other part of UK society. With the public recognising that the Government's Brexit agenda is primarily focused on supporting the nation's business landscape as a priority over other factors, there was also a clear acknowledgement of the fundamental role British scale-ups will play during this current negotiation period.

With Theresa May's renewed focus on scale-ups as part of the Government's modern industrial strategy, a significant proportion of consumers identified scaling businesses as being particularly well-positioned to gain from Britain's departure from the EU; a third (34%) of respondents think that scaling businesses stand to benefit the most out of the UK's entire private sector.

Looking to 2017 and Beyond

When Britain voted in favour of leaving the EU, there was inevitable uncertainty around what this would mean for consumers and businesses. Over nine months on and with Article 50 now triggered, it is clear that there is a far greater sense of optimism and drive among the UK public in favour of the potential growth opportunities made available to the UK's scaling businesses. Almost half (46%) of the respondents said they are confident that the UK will emerge from Brexit in a stronger economic position, with a further 28% thinking that the nation's departure from the EU will have no immediate impact on the health of the private sector for better or worse.

The data has revealed that society deems leaving the EU to be a Brexit for business, with the majority confident in the path Brexit will forge for private sector prosperity. During this vital time of transition, it will come as welcome news for any British company or brand that their customer-base is rallying behind them at a time when consumer support could not be more important – Asset Match's research shows that consumers have signalled their intent to consciously back national businesses over their foreign counterparts to help them succeed during this period of significant transition. As Britain seeks new economic alliances and showcases some of the country's leading disruptive industries to the world, scaling businesses can take solace knowing they are supported by a community of optimistic and buoyant consumers who are aware of the future opportunities and potential that lie on the horizon for the private sector following Brexit.

With the announcement of the snap General Election on 8 June 2017, it is vital that government and industry bodies foster and encourage consistent levels of positive consumer support towards British businesses. Once the election has been held, the Government will possess a unified and forward-facing mandate to ensure Brexit opens Britain to a new era of growth, productivity, innovation and disruption. Central to this will be the bond between consumers and the private sector, one that has so far proven to be resilient.

Asset Match will continue to examine society's attitudes towards British businesses at this vital time for the country's private sector, uncovering the sentiment of investors towards UK scale-ups next month in the second report of the 'What does Brexit mean for UK Scale-ups?' series.