



Analysis of EIC beneficiaries' needs and challenges regarding geographic expansion

Final Report

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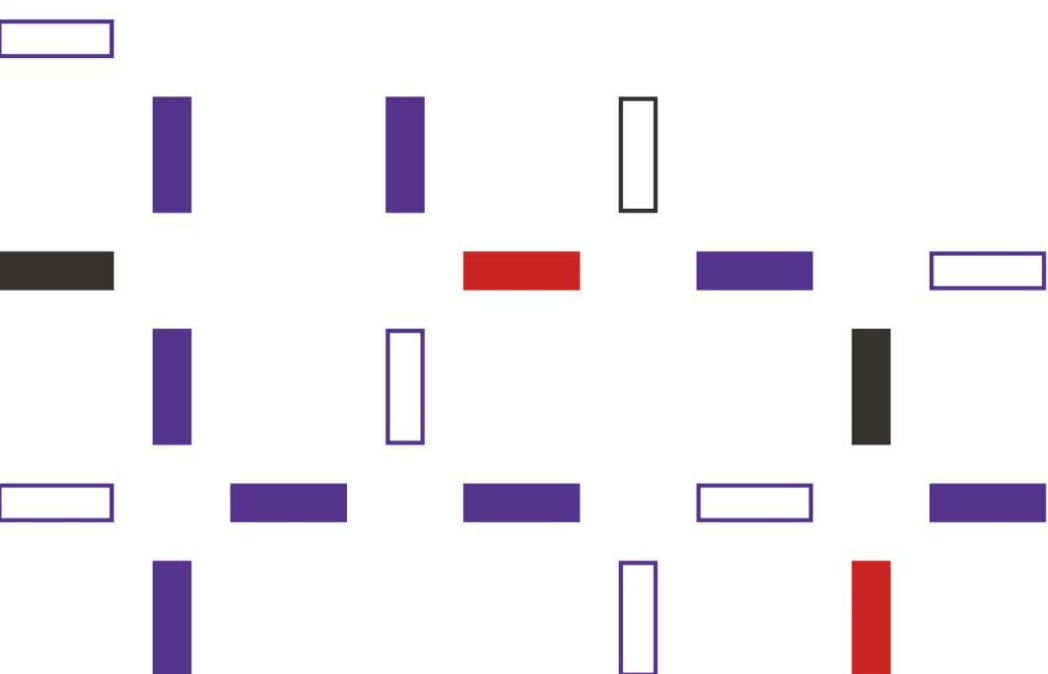


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EXECUTIVE SUMMARY

Aim

This study aims to evaluate the EIC beneficiaries' needs and challenges for expanding into new geographic markets and to provide a better understanding of the current economic impact of the COVID-19 pandemic situation on the beneficiaries. This report thereby facilitates the process of preparation for the OTF 2.0 trade fairs programme through specific actions that respond to the preferences and needs of the EIC beneficiaries.

To achieve this, close consultation with EIC beneficiaries and other important stakeholders was performed as part of a participatory process. Data in this report reflects the findings from survey results collected between 24 February and 19 March 2021, from a total of 370 EIC beneficiaries in 23 EU Member States and 7 Horizon Europe associated countries (constituting 6,7% of the total community). Qualitative interviews to complement the survey results took place from April to June 2021. These interviews featured ten EIC beneficiaries and representatives of four international trade fairs.

Background

COVID-19 has had a severe negative economic impact all over the world. Market disruptions caused by the pandemic have affected operators with limited resistance to significant and abrupt market changes, in particular SMEs and entrepreneurs. International trade can play a key role in fostering economic recovery¹, and within this context, there is a need to understand the specific requirements and challenges that EIC beneficiaries face. The vaccine approvals and inoculation campaigns have raised hopes of a turnaround in the pandemic during 2021. In parallel, there are growing concerns over renewed waves and emerging new variants of the virus. As vaccination campaigns gain momentum, and the pressure on health systems subsides, containment measures are gradually relaxing in several countries. However, many uncertainties lie ahead as the course of the pandemic remains unclear.

A thorough literature review of the pandemic economic context (Chapter 3) suggested that several business opportunities still exist despite many concerns and the unpredictability of the pandemic. Recovering economies worldwide continue to provide growth opportunities for EU SMEs overseas. The improved outlook for the major advanced economies - including new policy measures in the United States (USA), Japan, and better prospects for Asian emerging market economies - is projected to boost external demand for EU exports as of the second half of 2021. Innovation is another important contributor to enhancing resilience and fostering growth both inside and outside the EU.

Now, more than ever, innovative EU SMEs can (or even must) distinguish themselves by creating or adapting products and services of value to consumers and markets more generally – especially in markets where they face a cost disadvantage relative to competitors.

Analysis of key trends among EIC beneficiaries regarding expansion to third country markets

For highly innovative companies with strong, high-growth potential, early access to international markets can substantially support their development. The research suggests that EIC beneficiaries recognise the potential that internationalisation brings, as market expansion activities are seen by the companies as an important aspect of their businesses.

Regarding international activities in the pre-pandemic period, the majority of EIC beneficiaries were already engaged in exporting activities, with the USA, Latin America, South-East Asia, and China representing their top export destinations outside the EU.

As outlined in the case studies and supported by information from the interviews and survey, sectors with high R&D intensity offer particularly good opportunities for market expansion, as new technologies are

¹ Impact of the COVID-19 Pandemic on Trade and Development, Transitioning to a New Normal, United Nations, 2020

being developed at a fast pace, replacing the existing ones. In some cases, the pandemic accelerated this trend while, in others, it completely shifted the technological landscape. Either way, sectors such as ICT and New Technologies, Health and Pharma, and Environment and Clean Tech can be seen as particularly favourable for the internationalisation of highly innovative SMEs.

EIC beneficiaries also face challenges in accessing global markets. The complexity of doing business increases with, for example, the need to comply with national regulatory requirements and standards. Most EIC beneficiaries see the financial investment required for expansion as a major issue, alongside building a client base in a target country and identifying business partners. The frequency and impact of these barriers indicate that EIC beneficiaries can strongly benefit from direct technical support. Such support could particularly focus on advice and financial assistance to facilitate targeted access to market information, establishing international business partnerships, managing the costs associated with market expansion, and doing the necessary R&D.

The COVID-19 pandemic confronted SMEs worldwide with difficulties and challenges. 89% of EIC beneficiaries reported experiencing difficulties following the outbreak of the pandemic, and many struggled to ensure sufficient revenue generation in an environment of economic uncertainty marked by severe disruptions. Moreover, alongside declining revenues, almost a quarter of beneficiaries were forced to reduce employment since the outbreak of the pandemic. It is therefore no surprise that the majority of EIC beneficiaries indicated that the pandemic resulted in additional market expansion difficulties. The study shows that reduced demand for products and services, newly imposed border restrictions affecting exports, and liquidity problems, have been the most difficult challenges in companies' market expansion efforts.

However, despite the pandemic, almost half of the surveyed EIC beneficiaries reported having identified new business opportunities. As the case studies show, the pandemic significantly expedited digitalisation across numerous sectors, with the application of technologies that formerly grew only incrementally now accelerating substantially. Consequently, this supported a wave of innovations, and worked in favour of companies that developed digital solutions prior to the pandemic. EIC beneficiaries that reported increased market expansion in 2020-21 confirm such trends, often pointing out that the company's growth was driven by the increased demand for existing products and/or services (developed, or being developed prior to the pandemic), rather than because of significant change to business models or an introduction of new products.

Analysis of EIC beneficiaries' key needs regarding market expansion

International activities are essential to reinforcing SMEs' growth and employment, and to enhancing competitiveness, and support for long-term sustainability and resilience. In this context, the companies' full growth potential depends on their ability to access overseas markets, and seize the opportunities presented by growing and emerging markets. However, as demonstrated throughout the report, the EIC beneficiaries face a considerable number of difficulties and challenges with market expansion, further emphasised in the current economic context with all its risks and uncertainties.

Despite the uncertainty and difficulties arising from the current pandemic situation, more than 90% of EIC beneficiaries indicated that they are planning to expand their activities in new markets, with the vast majority already trying to do so now. Only 5% of companies indicated not having any expansion plans.

The USA is the primary geographic target market for EIC beneficiaries. Companies also highlighted China, Latin America, Japan, and South East Asia as priority overseas markets for expansion.

Considering EIC beneficiaries' limitations and challenges, relevant and timely public support can often be a necessary catalyst for success. Financial support in expanding to markets outside the EU-27 is assessed as particularly important by the highest portion of surveyed EIC beneficiaries.

Regarding *non-financial* support measures for market expansion, opportunities to take part in trade fairs are seen by EIC beneficiaries as having the strongest positive impact. A key condition however is the availability of support to participate in the fairs. The study shows that companies with a small number of employees are less likely to take part. This is associated with high costs, such as travel and exhibition

expenses. However, the research also suggests that the *benefits* of attending a trade fair are particularly high for smaller companies. This in turn emphasises the need to support highly innovative SMEs, particularly those smaller ones who have a lower budget for internationalisation.

Furthermore, the study pointed that EIC beneficiaries strongly benefit from the establishment of new business contacts in third countries, as business connections enable faster information flow, a better understanding of the new market, deeper knowledge exchange, and more identification of new leads. In this context, several EIC beneficiaries emphasised the importance of attending international trade fairs as the most suitable platform to establish new contacts and leads. Fairs enable companies to showcase their technologies, identify new business and R&D partners, and connect to learn about new markets and technology developments. As such, participation in international trade fairs represents one of the core aspects of their internationalisation strategy.

Finally, organised matchmaking and information on market opportunities are deemed key types of support to facilitate success at fairs - optimally tailored to the specific needs of the company and/ or sector.

1. INTRODUCTION

The Overseas Trade Fairs 2.0 (OTF 2.0) Programme aims to facilitate the access for EIC-funded SMEs/Start-ups/Scaleups to key international trade fairs. These trade fairs are located in new geographical markets outside the European Union and countries associated with the Horizon Europe Research and Innovation Framework Programme. The overall objective of OTF 2.0 is to support the EIC beneficiaries² to create partnerships in regions with strong clusters of clients and potential business partners. The Programme provides the “EIC SMEs” with relevant support to expand their business in the global market, by promoting actions targeted to foster their strategies, while supporting the expansion of their networks, projects, and clients overseas.

COVID-19 has created severely negative economic impacts all over the world. Market disruptions caused by the pandemic have affected operators with limited resistance to significant and abrupt market changes, in particular SMEs and entrepreneurs. International trade can play a key role in fostering economic recovery³, and within this context, there is a need to understand the EIC beneficiaries’ specific requirements and challenges.

This report on the “Analysis of EIC beneficiaries’ needs regarding expansion to new markets” aims to evaluate the EIC beneficiaries’ needs and challenges for expanding into new geographic markets and fits under Task 1 – General Coordination of the OTF 2.0 Programme. The document is based on data collection, data analysis and reporting – and includes:

- + a general overview of the (post-)pandemic economic context, and its effects on international trade and investment;
- + an analysis of needs and barriers encountered by EIC beneficiaries regarding international expansion specifically in the (post-)pandemic situation;
- + recommended actions for innovative companies regarding international expansion in the (post-)pandemic situation, including new trends and avenues for expansion - both in general, and per region targeted by OTF 2.0 (i.e., the USA, China, South-East Asia, and the Middle East).

The analysis developed in this document provides a better understanding of the current economic impact of the COVID-19 pandemic on the EIC beneficiaries. The report will thereby facilitate the process of preparation for the planned trade fairs through specific actions that respond to the preferences and needs of the EIC beneficiaries.

² EIC beneficiaries funded as of 2014

³ Impact of the COVID-19 Pandemic on Trade and Development, Transitioning to a New Normal, United Nations, 2020

2. METHODOLOGY

The development of this study followed a three phased approach comprising (1) data collection, (2) data analysis and (3) reporting phases – better detailed in Annex I.

2.1 Data Collection Phase

The first phase involved four main sources of information: Desk research, Survey, Case Study, and Interviews

Desk research

A thorough literature review was conducted based on online desk research, in order to gather all relevant information. A desk research matrix was kept up to date by the team, to keep track of all sources consulted, their key messages and their overall relevance to the analysis.

Survey

The survey aim was to provide an overview of the pre-pandemic, pandemic, and post-pandemic economic situation as well as market expansion challenges, barriers, and needs for the EIC beneficiaries. Following its validation by the Commission services, the survey was disseminated among the EIC participants through the EIC Community Platform.

Case studies

Three case studies were developed, focused on the OTF 2.0 selected sectors (ICT and New Technologies, Health and Pharma, and Environment and Clean Technology). These case studies present the current global market status for each sector, the pandemic impact and the main trends and growth drivers. Additionally, the case studies offer an overview of each sector in the regions where the OTF Programme fairs will be held, providing market context and specific information on the respective fairs.

Interviews

Ten representative EIC Beneficiaries that participated in the Survey were interviewed to obtain a deeper qualitative analysis of a selection of topics based on their experiences of internationalisation, covering best practices, noteworthy experiences, and other relevant considerations.

The information collected in these interviews provided qualitative information that supported the development of the conclusions of the study namely regarding overcoming barriers, adapting business models to the pandemic period, and leveraging innovation and technology for market expansion purposes.

Adding to the beneficiaries' interviews, a pool of representatives of selected fairs included in the OTF 2.0 Programme were also interviewed and provided qualitative insights on the fairs and respective sector that enriched the content of the case studies.

2.2 Data Analysis Phase

In the second phase (data analysis of the empirical data gathered), the triangulation technique was used to identify and confirm the quality, strength, and relevance of the findings to ensure the overall coherence of evidence-based analytical work.

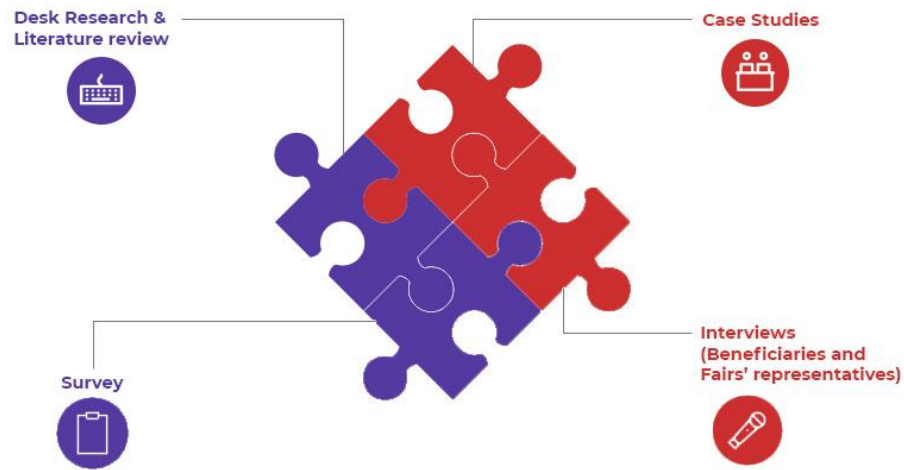


Figure 1 - Sources of data triangulation

2.3 Reporting Phase

Finally, in the reporting phase, all findings were pulled together and summarised in the form of this report. The findings of research and analysis fed the development of:

- + answers to the research questions; and
- + findings and conclusions.

3. A GENERAL OVERVIEW OF THE PANDEMIC ECONOMIC CONTEXT

The global pandemic due to the COVID-19 outbreak has caused an unprecedented health and economic crisis. The lockdown strategies required to fight the virus' transmission, also caused significant difficulties of unparalleled force and speed for global economic activity. Following the outbreak, a global economic crisis ensued in the first and second quarters of 2020. The global economic disruption was followed by a partial and uneven economic recovery phase later in 2020, marked by unprecedented policy support. The recent vaccine approvals and inoculation campaigns have further raised hopes of a turnaround in the pandemic during 2021. In parallel, there are growing concerns over renewed waves and emerging new variants of the virus. So far, the pandemic proved to be unique in its severity and course. Moreover, at the time of the development of this report, new variants of the virus and renewed spread are forcing many countries to reintroduce and/or tighten containment measures. As vaccination campaigns gain momentum and the pressure on health systems subsides, containment measures should relax gradually. However, many uncertainties lie ahead as the course of the pandemic remains unclear. To this end, a brief overview in the following paragraphs will highlight some of the key considerations that are relevant for the pandemic economic context.

Looking at the aggregate data at EU level, unemployment reached a peak in July 2020 at 7.8%, after which the rate fell slightly in the second half of 2020, as economic activity rebounded and the impact of the new containment measures remained limited, stabilising in December at 7.5%. Industrial production collapsed by 17.1% in April 2020 alone, contributing to a cumulative contraction since February 2020 of about 27%, but slowly recovered thereafter, rising in November 2020 for the seventh month in a row, and rising again since January. In contrast, throughout 2020, the volume of retail trade was mostly on the decline, following the initial disruption in March and partial recovery in May. The annual growth rate of loans to the private sector in the EU stood at 4.7% in December 2020, broadly stable since August but higher than before the crisis⁴.

In terms of international trade, in the initial months of the pandemic, global trade contracted sharply (trade in goods in the second quarter of 2020 may have fallen by as much as 18.5%, year-on-year⁵). The crisis particularly affected the EU and Euro area's external trade in the *first half of the year* as supply-side constraints due to lockdowns, border closures, travel bans, and internal restrictions to mobility led to a sudden drop in global demand⁶. Following this decline, the global recovery began and gradually advanced, especially for trade in goods. In particular, global trade in goods rebounded strongly in the third quarter of 2020, while global services trade fell by 24% in the third quarter of 2020 compared to 2019, slightly less than the 30% year-on-year decline registered in the previous quarter⁷.

As for Global Foreign Direct Investment (FDI), UNCTAD recorded a fall in global FDI value of 42% to an estimated EUR 730 billion in 2020, from EUR 1.3 trillion in 2019. The decline has been observed across all forms of FDI, and it reached a level last seen in the 1990s with an estimated total value in 2020 of more than 30% below the levels after the global financial crisis in 2009. According to the same source, the decline was concentrated in developed countries, where FDI flows fell by 69% to an estimated EUR 195 billion. Both the EU and the US have recorded a sharp decline in the inflow of FDI⁸.

⁴ Available at: <https://ec.europa.eu/eurostat/cache/recovery-dashboard/>

⁵ Available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ip132_en.pdf

⁶ Available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ip136_en_2.pdf

⁷ Available at: <https://www.oecd.org/sdd/its/>

⁸ Available at: <https://unctad.org/webflyer/global-investment-trend-monitor-no-38>

According to the Services Trade Restrictiveness Index published by the Organisation for Economic Co-operation and Development (OECD), the imposition of new barriers to services trade across all major sectors has also occurred. In fact, according to the OECD in 2020 the global regulatory environment became more restrictive across all major service sectors. Examples include restrictions on services traded through a range of commercial establishments, in sectors such as computer services, commercial banking and broadcasting. Furthermore, the momentum of recovery is expected to have slowed in 2021, due to the impact of renewed containment measures on global demand and hampered global supply chains⁹.

All these persistent and unpredictable shocks to the global economy caused by the pandemic continue to generate severe disruptions in demand, labour supply and industrial output, supply chains, commodity prices, international trade, and capital flows. While all major sectors have been affected, sectors such as tourism, hospitality, culture, the creative industries, transport, trade fairs and events, (many of which are dominated by SMEs) continue to be hit hardest by the crisis. This has been particularly impactful for the EU-27, as 24 million SMEs represent the backbone of the economy and generated more than half of the EU's GDP while employing about 100 million workers before the pandemic¹⁰.

Due to their small size and lean structures, EU SMEs are frequently more dynamic than larger enterprises. They are able to react faster to change and respond to market opportunities as they occur - making them particularly important for job creation. However, they are also more vulnerable, often lacking access to capital, and funding sources while displaying lower apparent labour productivity. For many, the COVID-19 outbreak created a major cash flow challenge and significantly increased the risk of insolvencies among European SMEs (since the beginning of the outbreak global insolvencies are expected to increase by at least 35% by end-2021¹¹). Furthermore, the results of the Future of Business Survey, which was conducted by Facebook, the OECD, and the World Bank, demonstrated some of the challenges for SMEs around the world over a six-month period in the context of COVID-19 (May – October 2020)¹². According to the latest data from October 2020, 55% of the surveyed SMEs reported lower sales compared to the same month in 2019, an improvement of only seven percentage points since May, while 34% of SMEs stated that they had reduced employment in response to the pandemic, virtually unchanged as compared to May (33%)¹³. While some SMEs have seen a gradual improvement alongside easing containment measures, the pace of economic recovery has slowed significantly in recent months after the rebound in mid-2020. The survey analysis concludes that new waves of the spread of the virus, and economic uncertainty reinforce an underlying sense of fragility and the importance of ongoing support¹⁴.

Looking towards the future, most recent projections from the International Monetary Fund estimate substantial medium-term output losses, with output for the world in 2024 expected to be about 3% lower than anticipated in the pre-pandemic era. However, assuming that the pandemic is brought under control globally by the end of 2022, losses are anticipated to be lower than those suffered in the global financial crisis¹⁵. The Commission's most recent European Economic Forecast published in February 2021, predicts EU GDP growth of 3.7% in 2021 and 3.9% in 2022, and 3.8% in both years in the euro area¹⁶. However, the speed of recovery will vary significantly across the EU¹⁶, and the expert consensus is that the degree and expected speed of the recovery depends on the structure of economies and the size of the policy response. Emerging markets and developing economies are expected to suffer more trauma than advanced economies¹⁷.

⁹ Available at: <http://www.oecd.org/newsroom/services-trade-restrictions-increased-in-2020-compounding-covid-19-economic-shock.htm>

¹⁰ Available at: https://www.europarl.europa.eu/doceo/document/TA-9-2020-0359_EN.html

¹¹ Available at: https://www.eulerhermes.com/content/dam/onemarketing/ehndbx/eulerhermes.com/en_gl/media/english/press-release-pdf/PR_TheFinanceLeaderOfTomorrow.pdf

¹² Available at: The survey covers only online SME sector and is not representative of the population or region, however it does provide important initial insights <https://dataforgood.fb.com/global-state-of-smb/>.

¹³ Available at: <https://dataforgood.fb.com/wp-content/uploads/2020/12/State-of-Small-Business-Wave-VI-Report.pdf>

¹⁴ Available at: <https://dataforgood.fb.com/wp-content/uploads/2020/12/State-of-Small-Business-Wave-VI-Insights-Summary.pdf>

¹⁵ Available at: <https://www.imf.org/en/publications/weo>

¹⁶ Available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ip144_en_1.pdf

¹⁷ Available at: <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

However, business opportunities still exist despite many concerns, and the unpredictability of the pandemic. Recovering economies worldwide continue to create opportunities for EU SMEs to take advantage of new growth opportunities overseas. The improved outlook for the major advanced economies - including new policy measures in the United States and Japan and better prospects for Asian emerging market economies - is projected to boost external demand for EU exporters as of the second half of 2021.

Innovation is another important contributor to enhancing resilience and supporting growth both inside and outside the EU. Now, more than ever, innovative EU SMEs can (or even must) distinguish themselves by creating or adapting products and services of value to consumers and markets more generally – especially in markets where they face a cost disadvantage relative to competitors.

4. ANALYSIS OF KEY TRENDS AMONG EIC BENEFICIARIES REGARDING EXPANSION TO THIRD COUNTRY MARKETS

We conducted an analysis of the needs and main barriers facing EIC beneficiaries regarding expansion to new markets – with a view to a better preparation of the support actions for OTF 2.0. The analysis sought to capture:

- + the impact of the COVID-19 pandemic on EIC beneficiaries' business operations and performance; and
- + their market expansion efforts, including the actions taken to mitigate the impact of the pandemic.

The current and following chapters and sections of this report present the findings from the survey results, collected between 24 February and 19 March 2021, from a total of 370 EIC beneficiaries (constituting 6,7% of the total community), in 30 EU Member States and Horizon 2020 Programme associated countries). Qualitative interviews to complement the survey results took place in April, May, and June 2021, and featured 10 EIC beneficiaries and representatives from 4 international trade fairs.

This analysis covers six key topics:

- + the experience of EIC beneficiaries with international business, in both the pre-pandemic and pandemic periods;
- + their current export and prospective markets, and the proportion of sales currently generated by exports;
- + EIC beneficiaries' experiences with exporting, including barriers (both encountered and perceived) pre-pandemic and during the pandemic;
- + effects of the pandemic on sales, revenue, and international trade;
- + needs of EIC beneficiaries regarding expansion to overseas markets; and
- + measures that would help EIC beneficiaries expand to overseas markets.

4.1 EIC Beneficiaries engaged in international activities during the pre-pandemic period

International activities help companies compete, grow, and seize opportunities in new and emerging markets. As a result, highly innovative companies with strong high-growth potential require early access to international markets to ensure their development. With that in mind, however, it is important to emphasize that benefits of internationalisation do not only stem from an opportunity for companies to increase their revenues by exporting to other countries, but also several other activities that can support the growth through the improvement of innovation capacity, skills, and overall competitiveness. The outcomes of research suggest that EIC beneficiaries recognize the potential that internationalisation brings, as the survey demonstrated, and interviews confirmed that international activities represented an important aspect of EIC beneficiaries’ business in the period prior to the pandemic (2017-2019). Approximately 90% of surveyed EIC beneficiaries indicated to have been engaged in some form of cross-border activities, with the majority (56%) having sold their products and/or services to another country (both in the EU-28 and outside the EU-28) (Figure 2).

Furthermore, most EIC beneficiaries have developed business contacts outside the EU to enter a business relationship. The interviews suggested that the main type of business contacts sought after are distributors. This is because they facilitate faster, and secure access of EIC beneficiaries to new markets, followed by investors and partners for R&D activities. Essentially, EIC beneficiaries strongly benefit from the establishment of new business contacts in third countries, as business connections enable faster information flow (particularly regarding the market and regulatory considerations), better understanding of the new market, knowledge exchange, and identification of new leads.

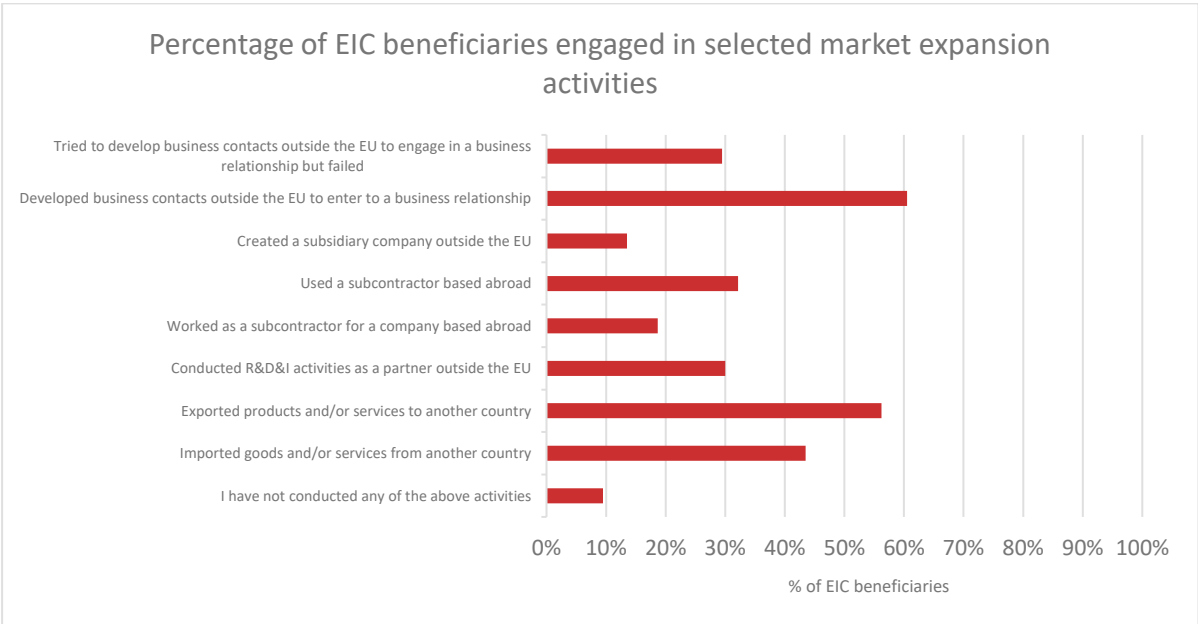


Figure 2 - Percentage of EIC beneficiaries engaged in selected market expansion activities

EIC beneficiaries exporting activities within the EU-28

Predictably, the data collected for the purpose of this study revealed that almost all EIC beneficiaries that were engaged in exporting activities were, to some degree, exporting to other countries within EU-28. Establishing market presence within other EU-28 countries is considerably easier for EIC beneficiaries due to numerous advantages that the EU’s internal market brings. In particular, the simplified procedures and required costs, as well as the similarity of business culture, geographical proximity, and less effort required

for establishing correct business contacts in countries of EU-28. Furthermore, the survey data indicated that exports within the EU-28 constituted the majority of EIC beneficiaries' revenues, with the exception of a smaller number of companies (15%) that reported having more than 50% of their revenue generated from outside the EU-28. Interestingly, some interviews suggested that for a smaller number of EIC beneficiaries, the access to and the establishment of presence in certain overseas markets (such as the USA) is less challenging as to markets in some EU countries, particularly due to size of the economy (number of opportunities), business culture, and language barriers.

In terms of exporting activities within EU-28 countries, countries with large, diverse economies, and high R&D intensity are most attractive for EIC beneficiaries. In particular, the survey data revealed that Germany is the top exporting destination, both in terms of the number of EIC beneficiaries exporting to this country and the share of exports in total exports. Germany (54%) is followed by the UK (38%), France (32%) and Italy (21%) (Figure 3). This hardly comes as a surprise, considering that Germany, the UK, France, and Italy (in that order) are also the countries with the largest population and highest GDP in Europe. As such, their markets offer a wide range of opportunities for EIC beneficiaries and across a large number of sectors.

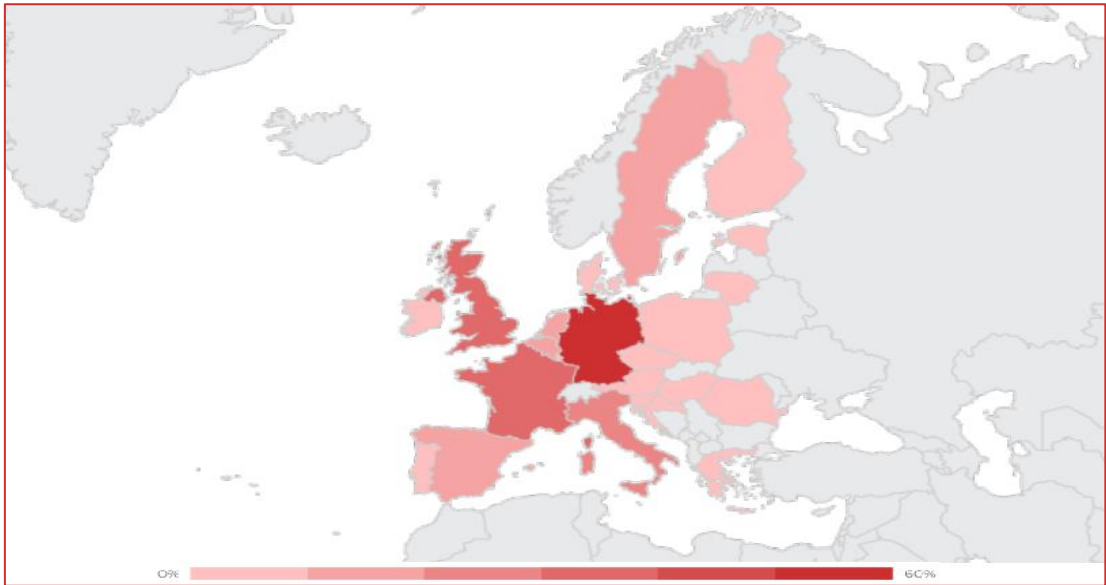


Figure 3 - Main exporting markets within EU-28 (2017-2019)¹⁸

EIC beneficiaries exporting activities outside the EU-28

Although a significant portion of EIC beneficiaries that reported exporting activities indicated overseas countries as their export destination (89%), as mentioned in the section above, the portion of turnover generated from such activities was significantly lower as compared to revenue generated from exports within the EU-28. Such trends point to an important consideration, which is that only a relatively small number of EIC beneficiaries solely focus their exporting activities on the EU-28 market. Furthermore, interviews strongly suggest that the lower revenue portion comes from the exports outside EU-28 due to difficulties associated with expansion to overseas markets. In essence, almost all EIC beneficiaries that are engaged in exporting activities within the EU are also trying to engage in exporting activities overseas; however, due to several barriers, they are left with less success.

As the largest global economy in terms of GDP and nominal wealth, according to the data collected from the survey, the USA was also the primary export market for EIC beneficiaries outside the EU-28 countries. Such trend is expected, as the country is the global powerhouse in terms of both R&D and business activities, catering for a strong demand of the EIC beneficiaries' products and services. The USA is followed

¹⁸ Based on the Survey data

by Latin America (25%), South East Asia (21%) and China (20%), with other common exporting destinations outside EU-28 included Canada and the Middle East (Figure 4). The interviews point that strong market potential is the main driver of interest for the companies.

In addition to strong market potential and the considerable number of trade agreements between the EU and countries from Latin America in place, the trend of EIC beneficiaries exporting to Latin America can be partially attributed to the fact that almost a quarter of the surveyed sample of companies is from Spain. This further indicates the importance of language and cultural implications as well as business networks for the expansion to third markets. On the other hand, the South East Asia (SEA) region, and China, have experienced rapid economic growth in the past decade, with industrial modernisation and expansion driving the demand for increasingly complex technological solutions and services of EIC beneficiaries.

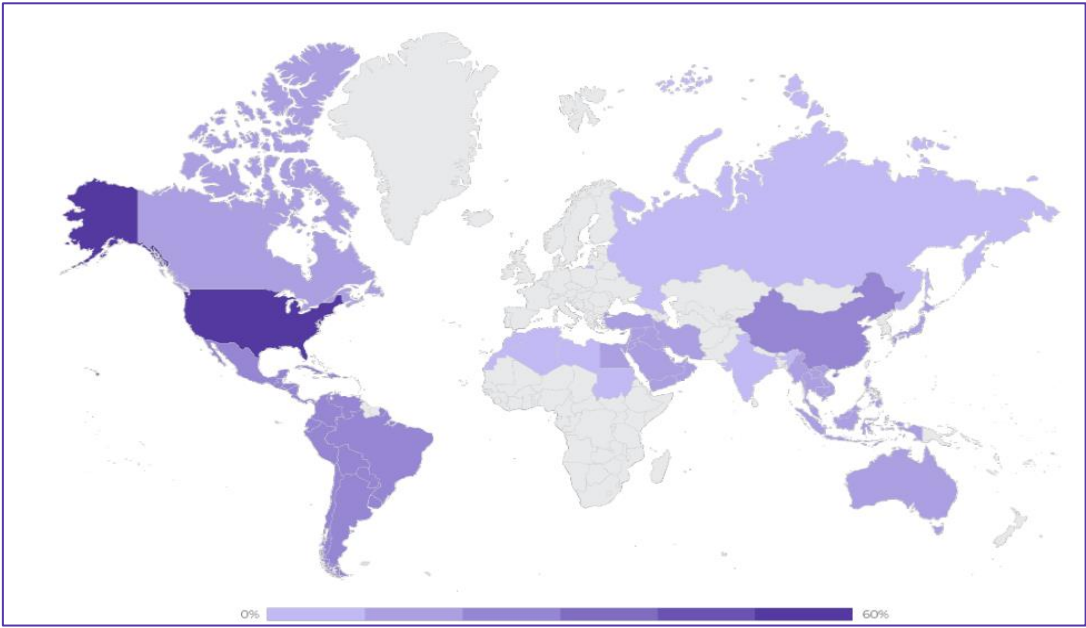


Figure 4 - Ten main exporting markets outside the EU-28 (2017-2019)

Barriers to market expansion in the pre-pandemic period

Although the expansion to international markets offers numerous growth opportunities for EIC beneficiaries, they also face several challenges in accessing global markets. This is particularly emphasized in expansion outside the EU, as the complexity of issues increases with, for example, the need for compliance to various national regulatory requirements and standards. To this end, EIC beneficiaries were questioned about specific barriers with perceived impact on their market expansion efforts during the pre-pandemic period. The responses also shed a view on the perceived impact of the indicated barriers in the context of market expansion.

In particular, EIC beneficiaries reported that the most commonly encountered issues are “identification of business partners”, “reaching client base” (96%) and obtaining “knowledge of the market” (96%). However, in terms of the perceived impact of barriers, the highest portion of EIC beneficiaries assessed the high financial investment required for the expansion with high or very high impact (62%), together with reaching client base in a target country (56%) and identifying business partners (54%) (Figure 5). Interestingly, there are some important differences between perceived barriers and expected impacts among those EIC beneficiaries that did engage and did not engage in market expansion activities before the pandemic. EIC beneficiaries that did not engage in market expansion indicate on average stronger impact of a high financial investment as a barrier to market expansion.

The frequency and impact of the aforementioned barriers indicate that EIC beneficiaries can strongly benefit from direct technical support, which would target some of these issues, particularly measures leading to

reduced costs associated with market expansion, establishing international partnerships in business, R&D, and facilitating easy targeted access to market information.

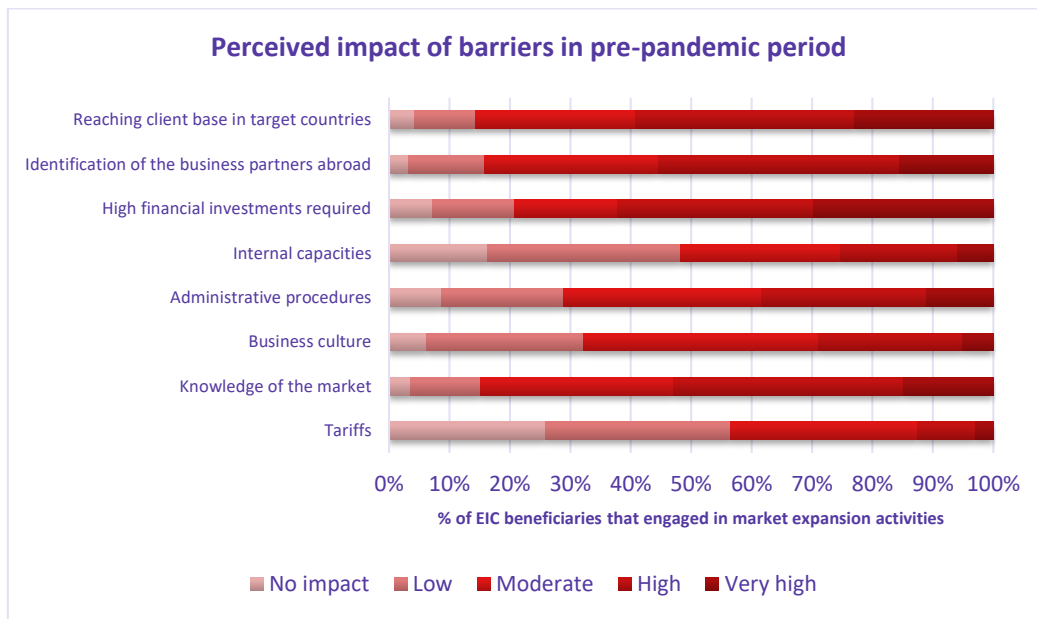


Figure 5 - Perceived impact of barriers in pre-pandemic period¹⁹

4.2 EIC Beneficiaries engaged in international activities during the pandemic period

This section of the report presents the results of the analysis of the EIC beneficiaries that have operated locally, internationally within and beyond the Internal Market. It first describes the effects of the pandemic on EIC beneficiaries' overall operations and then focus on the main challenges in market expansion activities.

Effects on revenue, employment, and international trade

As explained in Section 3, research has shown that SMEs worldwide were confronted with various difficulties and challenges due to the COVID-19 pandemic. The period of closure and strict lockdown measures adopted by governments in many countries have strongly affected operations of many SMEs, challenging their resilience, with many facing weakening of their financial position and exposure to financial risk. This is also valid among EIC beneficiaries, as approximately 89% of the EIC beneficiaries reported experiencing difficulties following the outbreak of the pandemic. According to the EIC beneficiaries, the main challenge arising from the outbreak of the pandemic was the reduced demand for goods and/or services (54%). This is particularly valid for those EIC beneficiaries that have operations along with the tourism and hospitality sectors. In one case, the EIC beneficiary reported the cancellation of over 1,000 orders immediately following the outbreak of the pandemic, which demonstrates the magnitude of difficulties that some SMEs faced. The other two most common challenges faced by EIC beneficiaries are increased difficulty in financing business operations (40%) and challenges associated with the disruption in logistics (37%) (Figure 6). However, as indicated by the survey and confirmed through an interview, most EIC beneficiaries encountered two or more challenges.

¹⁹ Based on the survey data from EIC beneficiaries that engaged in market expansion activities.

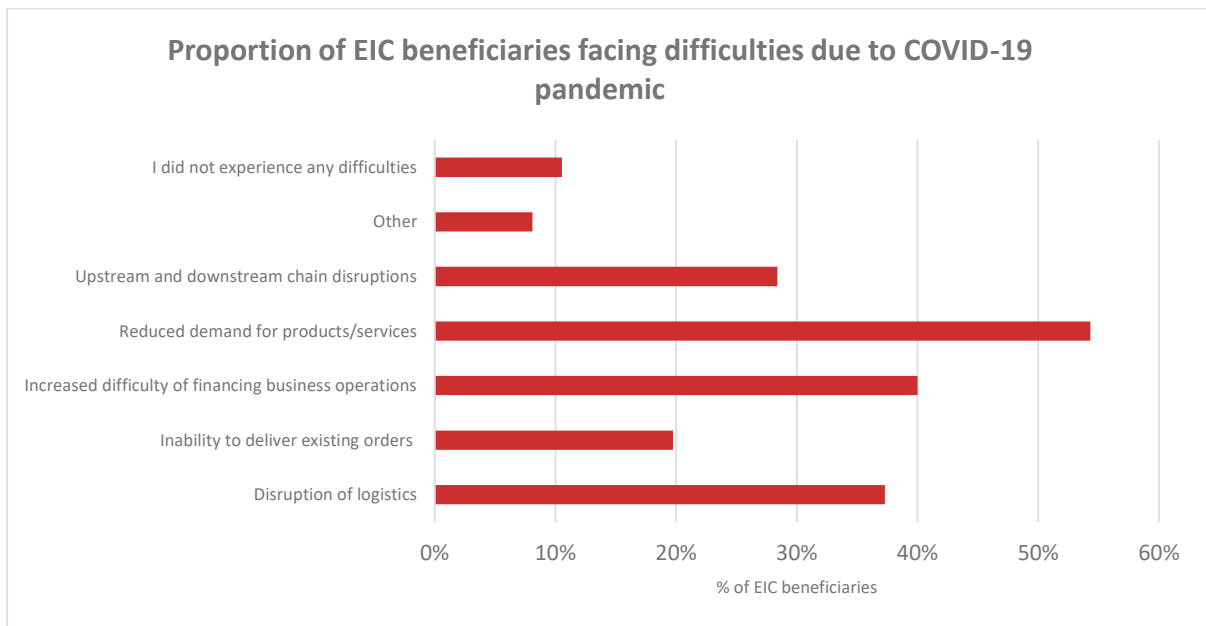


Figure 6 - Proportion of EIC beneficiaries facing difficulties due to COVID-19 pandemic

As a result of different challenges, many EIC beneficiaries faced difficulties in ensuring sufficient revenue generation in an environment of economic uncertainty marked by severe disruptions and an overall demand reduction. The scale of the reduction in the activity has been significant for almost half of EIC beneficiaries, with around 48% of surveyed respondents reporting a decrease in annual revenue following the outbreak of the pandemic. However, it should be noted that in response to this challenging business environment, a considerable proportion, almost a quarter or 24%, of surveyed EIC beneficiaries have managed to maintain and adapt their business models to increase their annual sales. The highest proportion of companies indicating an increase in annual revenue of over 50% was among EIC beneficiaries from the ICT sector. As pointed out by the sector case study (Annex III), even before the pandemic, consistent development and deployment of ICT infrastructure have been deeply impacting the global economy, emerging as one of the major trends in the past decade. However, with the outbreak of the pandemic, this trend only intensified and accelerated, as the role of ICTs and new technologies became pivotal in lessening the impact of the pandemic by enabling and facilitating economic activity. As a result, throughout 2020 and 2021, a significant boost to the penetration of ICTs in all areas of the economy and everyday life has been recorded. Interviewed EIC beneficiaries with operations along with the ICT sector further confirmed that rapid growth in the demand caused by the pandemic was the main driver of the revenue growth during the pandemic. Additionally, those companies that offered software-based services were, at times, able to adjust their activities into new areas easily adapting to the shift in the demand.

Detailed analysis of surveyed EIC beneficiaries by business profile from the survey (Annex II - Table 1) illustrated few additional, notable differences, among which the following could be highlighted:

- + Proportionally, the highest number of companies reporting a decrease of the annual revenue of over 50% in 2020 was among EIC beneficiaries that had annual revenue of up to EUR 250,000. More specifically, on average, every fourth (23%) EIC beneficiary with annual revenue of up to EUR 250,000 in the pre-pandemic period had a decrease of more than 50% in 2020. Furthermore, the lowest proportion of companies that reported an increase in annual revenue at each range was among this group.
- + Proportionally, the highest number of EIC beneficiaries that reported an increase in annual revenue at each range in 2020 was among EIC beneficiaries with over 50 employees, while the highest number of EIC beneficiaries that reported a decrease in annual revenue at each range was among EIC beneficiaries with less than ten employees.

Against this backdrop of declining revenues, almost a quarter (23%) of EIC beneficiaries have been forced to reduce employment since the outbreak of the pandemic. However, several surveyed EIC beneficiaries indicated to have maintained or increased the number of employees. More than a fifth (21%) surveyed EIC beneficiaries indicated an increase in employment during the pandemic. The highest proportion of companies indicating an increase in employment of over 50% was among EIC beneficiaries from sectors associated with environmental technologies and services. As pointed out by the case study of the environment and clean tech sector (Annex III), the pandemic has underscored the importance of resilience in emergency relief and disaster response cases. In this context, major shifts and disruptions in the global economy caused by the pandemic have led businesses from various industries worldwide to rethink their business models and focus on strengthening resilience by improving the adaptive capacity towards environmental and social risks as the importance of environmental, social, and governance considerations for both consumers and investors grow. Together with global digitalisation trends, these considerations could explain the more favourable trend among companies developing products and services associated with environmental and clean technology.

The analysis of EIC beneficiaries by business profile from the survey (Annex II - Table 2) illustrated few additional considerations, among which the following could be highlighted:

- + Proportionally, the highest reduction in employment during 2020 was reported by companies that have annual revenue of up to EUR 250,000. Around 29% of EIC beneficiaries from this group reported having to let go of workers in 2020. Furthermore, compared to other groups, the smallest percentage of companies that employed workers during the pandemic was among this group, with 27% of companies reporting an increase in employment during the pandemic period. The highest portion of companies that have employed during the pandemic (44%) is among companies that have annual revenue between EUR 250,000 and 500,000.
- + Comparatively, the biggest portion of EIC beneficiaries that reported an increase in employment at each range was among EIC beneficiaries with over 50 employees, while the biggest portion of EIC beneficiaries that reported a decrease in employment was among EIC beneficiaries with less than ten employees.

The COVID-19 pandemic has also substantially altered the context for cross-border business, which was particularly reflected in trade flows. As Eurostat data suggest, in 2020, the trade of the European Union of 27 Member States was strongly impacted by the pandemic, with significant falls observed for both exports (-9.4%) and imports (-11.6%) compared to 2019²⁰. In line with this overall trend, a significant portion of surveyed EIC beneficiaries reported a decrease during 2020 in both exporting (48%) and importing activities (25%). The decrease in cross-border business was particularly evident among smaller, both in terms of revenue and employee number, EIC beneficiaries:

- + 66% of those that have annual revenue of up to EUR 250,000 reported a reduction in exporting activity during 2020, with 39% reporting a decrease by more than 50%.
- + the majority of companies with up to 50 employees that exported in the pre-pandemic period reported a decrease in exporting activity in 2020.

This disproportion points not only to a higher vulnerability among smaller companies regarding cross-border activities but also emphasizes the need for the continuous support of such companies in their internationalisation efforts, particularly during the period of economic recovery.

²⁰[https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20210325-1#:~:text=In%202020%2C%20the%20trade%20of,11.6%25\)%20compared%20with%202019.&text=In%202020%2C%20the%20EU%20trade,surplus%20by%20%E2%82%AC217%20billion.](https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20210325-1#:~:text=In%202020%2C%20the%20trade%20of,11.6%25)%20compared%20with%202019.&text=In%202020%2C%20the%20EU%20trade,surplus%20by%20%E2%82%AC217%20billion.)

Market expansion during the pandemic

It comes as no surprise that the majority of EIC beneficiaries (56%) indicated that the pandemic situation generated additional market expansion difficulties. In particular, as suggested by the survey and confirmed by interviews, reduced demand for products and services newly imposed border restrictions for exporting to destination countries and liquidity problems have been particularly difficult for beneficiaries in their efforts for market expansion when assessed both in terms of frequency and perceived level of disruption.

However, despite the pandemic, four out of ten EIC beneficiaries (43%) reported having identified new business opportunities resulting from the pandemic situation (Figure 8). As discussed in the case studies (Annex III), the pandemic significantly expedited digitalisation across numerous sectors, with the application of technologies that formerly grew only incrementally in the past, accelerating substantially. This resulted in a wave of innovations and a particularly favourable position for companies that developed digital solutions prior to the pandemic. The interviews with EIC beneficiaries that reported increases in market expansion activities during the past year confirm such trends, often pointing out that the company's growth was driven by the increased demand for existing products and/or services (developed or being developed prior to the pandemic), rather than as a result of significant change to business models or an introduction of new products.

It is important to emphasize that several interviewed EIC beneficiaries also noted how particularly disruptive and limiting to market expansion it was to have restricted client and customer outreach due to the cancellation of events such as trade fairs and conferences. In response, the majority of EIC beneficiaries (55%) had to adjust their market expansion strategy.

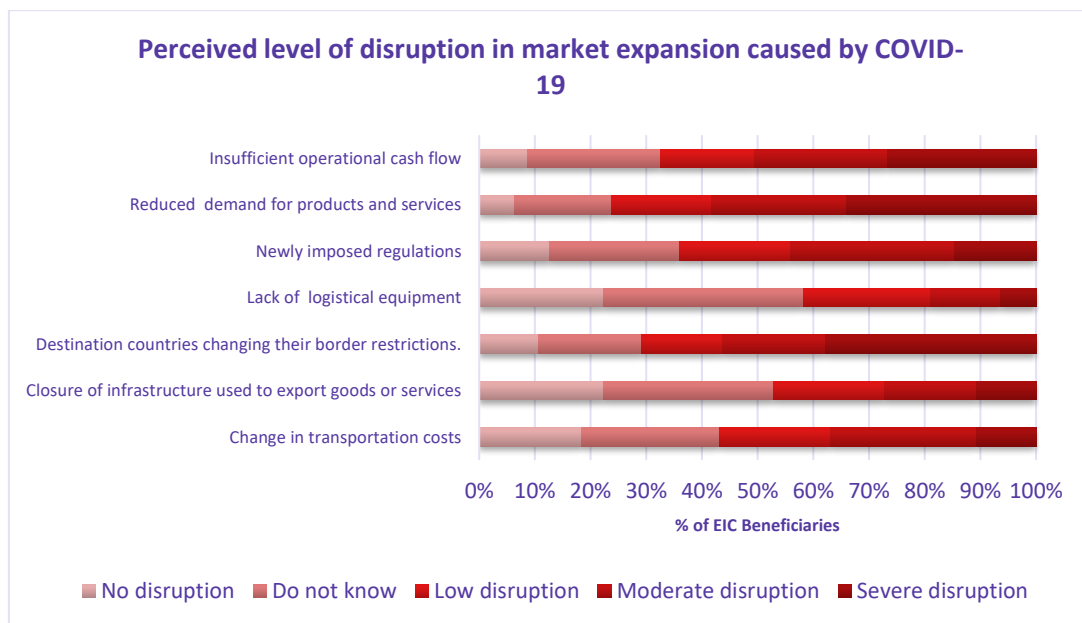


Figure 7 - Perceived level of disruption in market expansion caused by COVID-19

5. ANALYSIS OF EIC BENEFICIARIES' KEY NEEDS REGARDING MARKET EXPANSION

There is a general consensus among the experts regarding the strong link between internationalisation and improved SME performance. In particular, international activities are often associated with reinforcing SME growth and employment, enhancing competitiveness and support for long-term sustainability, and resilience²¹. Moreover, the companies' growth potential depends on their ability to access overseas markets and seize the opportunities presented by growing and emerging markets. However, as demonstrated throughout the previous Chapter, the EIC beneficiaries face a considerable number of difficulties and challenges to market expansion. This is further enhanced by the current economic context with all the risks and uncertainties arising from it, where internationalisation and access to overseas markets are increasingly harder for many companies.

Despite uncertainty difficulties arising from the current pandemic situation, more than 90% of EIC beneficiaries indicated that they are planning to expand their activities in new markets, of which more than 80% stated that they are trying to do so now (Figure 8). Only 5% of companies indicated not having any expansion plans.

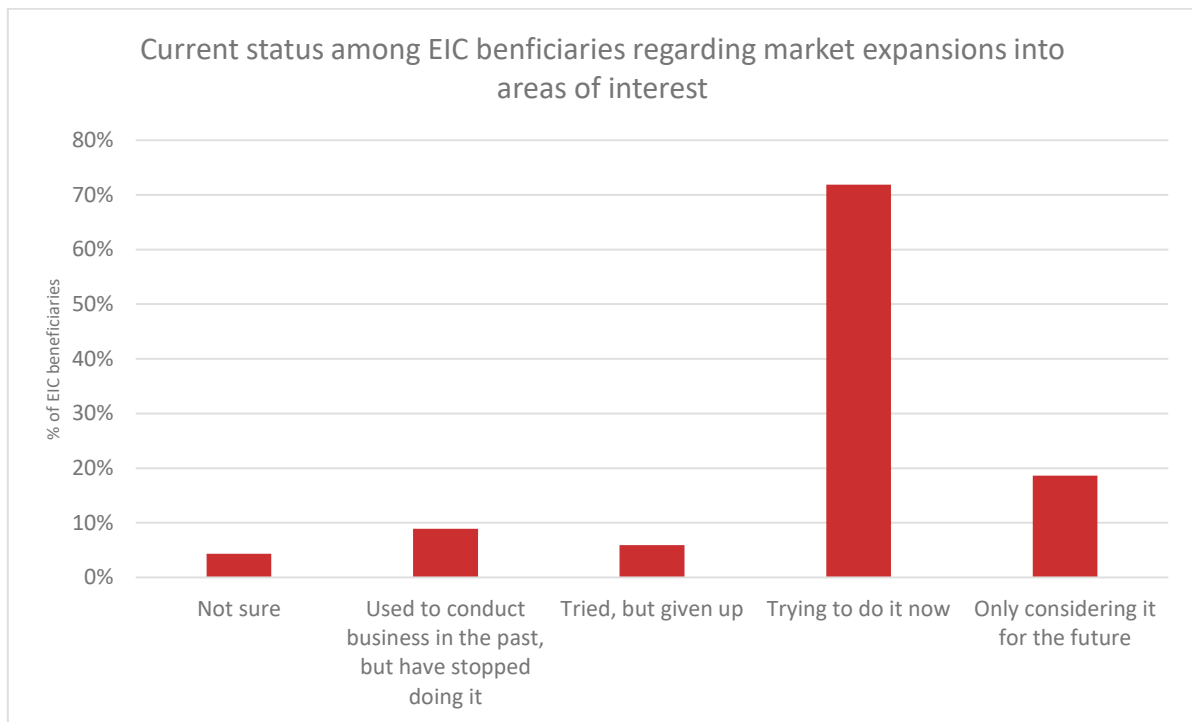


Figure 8 - Current status among EIC beneficiaries regarding market expansions into areas of interest

High interest from EIC beneficiaries for market expansion highlights the importance of internationalisation for the growth of innovative companies. Innovation is often perceived as a major factor in the propensity of companies to export. However, this relationship goes two ways, and if businesses are constrained by geographic limitations, their innovation capabilities are limited as well. As outlined in the case studies (Annex III) and supported by information from the interviews and survey, sectors with high R&D intensity offer particularly big opportunities for market expansion, as new technologies are being developed at a

²¹ https://s3platform.jrc.ec.europa.eu/documents/20182/84453/Supporting_Internat_SMEs.pdf/f36577c4-53fc-4f44-a02a-d8f5e295158f

fast pace, replacing the existing ones. In some cases, the pandemic accelerated this trend while, in order, completely shifted the technological landscape. Either way, the examined sectors, ICT and New Technologies, Health and Pharma, and Environment and Clean Tech can be seen as particularly favourable for highly innovative SMEs, while access to international events only increases such potential, serving as a catalyst for expansion. Therefore, it is not surprising that EIC beneficiaries are planning expansion and considering innovative approaches to leverage their technologies on international markets. To that extent, facilitating access of European SMEs to global markets is even more so important, as strengthening the presence of highly innovative European companies in international markets will contribute to the improvement of EU's competitiveness on the global scale.

5.1 Target markets for expansion

In terms of the most desired markets for planned expansion activities, expansion to the USA, within EU-27, and the UK are the most frequent choices of surveyed EIC beneficiaries. Outside Europe, aside from the USA, most EIC beneficiaries selected China, Latin America, Japan, South East Asia, and the Middle East as the most desired markets for expansion (Figure 9).

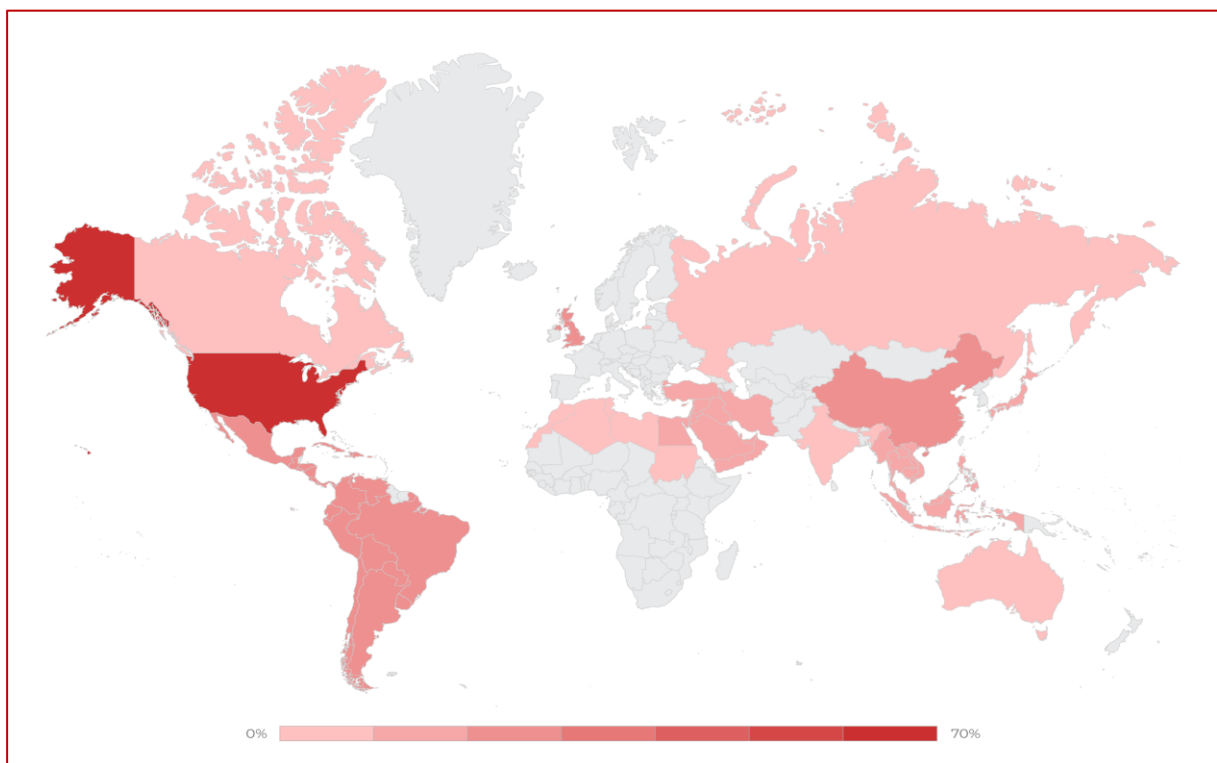


Figure 9 - Ten most commonly desired markets for market expansion outside the EU (2020)

The three case studies developed as a part of the overall study (Annex III) provided a deeper dive into some of the markets deemed as most attractive for the EIC beneficiaries, which are also coincidentally the four regions of the OTF 2.0 programme: the USA, China, Middle East, and South East Asia (SEA) region. The case studies examined sectors of Health and Pharma, ICT, and New Technologies and Environment and Clean Tech. Below are some of the key takeaways per which highlight the attractiveness of each market:

- + The selection of the United States as the primary target market can be considered as expected. The country offers the largest consumer market globally, with a GDP of around EUR 17 trillion and 325 million people²². The USA is also home to both industry giants and some of the most innovative and

²² <https://www.selectusa.gov/why-invest>

productive companies in the world, across a diverse set of industry sectors. As such, it offers a big and strong customer base for EIC beneficiaries, as well as numerous opportunities for R&D collaborations, investment, and partnerships. The USA market is also the world's largest and leading market for each of the sectors that were examined in case studies. In essence, the case studies highlighted that the attractiveness of the USA reflects in the strength of the economy in terms of purchasing power, demand, and opportunity for innovation.

- + The rapid transformation and development of China's economy have allowed the country to shift from a manufacturing base to a strategic R&I hub. As a result, throughout the past years, China has positioned itself on the global market as one of the leaders not only in terms of manufacturing and demand but also, R&I. Compared to the EU and the US, the growth in China's sectors, particularly related to R&D expenditure has been steep over the past decade. As industries continue to develop, the integration of emerging technologies and environmental considerations are continuing to drive the demand for increasingly complex products and services, opening several opportunities for EIC beneficiaries from various sectors.
- + The SEA region has seen a dramatic uptake of digital services and applications and the rapid diffusion of broadband, particularly mobile broadband. At the end of 2020, around 400 million of the approximately 650 million people in the SEA region was actively using the internet, which is over 60% of the population, representing a steep increase from just over 12% of the region's population at the end of 2007²³. As a result, the SEA digital markets are one of the most promising and most attractive globally, with many sectors such as commerce, transport, energy, food, media, financial services, health, and education subject to rapid digitalization in the past decade.
- + With an objective of economic diversification, several Middle Eastern countries have focused their efforts on the development and advancement of different sectors such as Health, Environment, and ICT. To this extent, many local governments see great potential in creating high-tech knowledge economies. The urgency of such an approach has only been further increasing following the outbreak of the pandemic, particularly due to frequent price fluctuations within the hydrocarbon industry. As a result, countries in the Middle East, particularly Gulf Cooperation Council (GCC) countries, are implementing several policies to boost the competitiveness of the technology ecosystem, opening several opportunities for innovative foreign companies.

5.2 Support for market expansion outside the EU-28 received in the period 2014-2019

Public support has an important role in promoting greater market expansion. Considering that several SMEs face different limitations and challenges, including EIC beneficiaries, public support can often be the necessary catalyst for success. However, ensuring the relevance and timeliness of such support is equally important. Companies need to be scored, screened, analysed, and often consulted before the provision of adequate support that would improve the capabilities required to compete successfully in the international market.

According to the survey, more than three-quarters (76%) of surveyed EIC beneficiaries reported having received support for market expansion. Grants and funding as well as opportunities to take part in international fairs have been indicated by most of surveyed EIC beneficiaries (67%) (Figure 10).

²³ <https://www.oecd.org/going-digital/southeast-asia-connecting-SMEs.pdf>

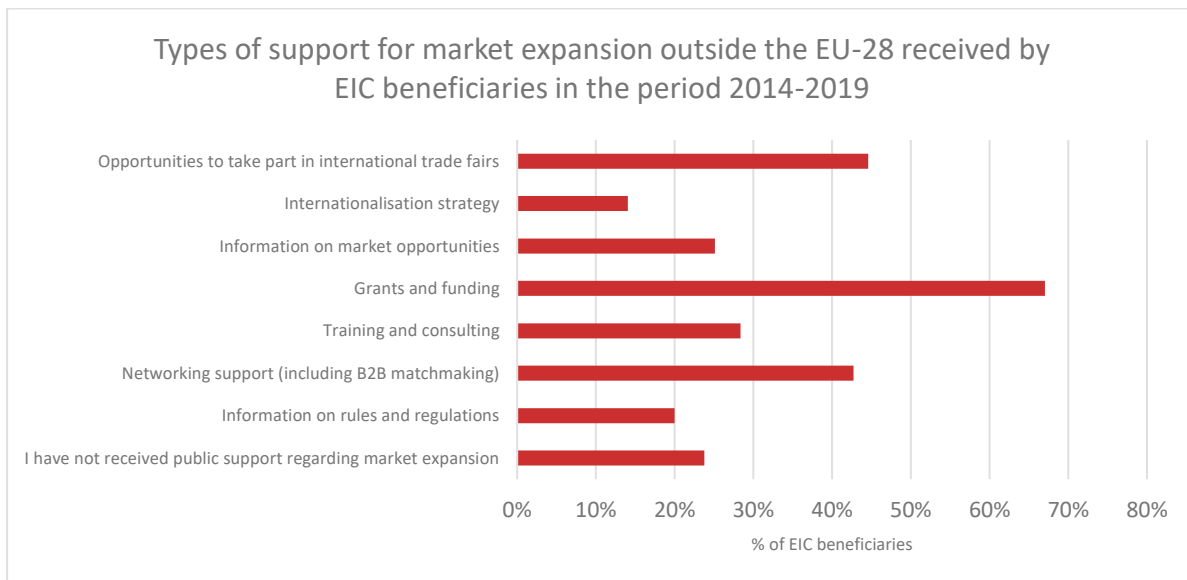


Figure 10 - Types of support for market expansion outside the EU-28 received by EIC beneficiaries in the period 2014-2019

EIC beneficiaries assessed the support measure for market expansion in the form of grants and funding as having the strongest positive impact. In terms of non-financial support measures for market expansion, opportunities to take part in trade fairs have been assessed as having the strongest positive impact. This preference can be seen in the survey results, with 82% and 52% of respondents that have received these two types of support in the past five years reporting a high or very high impact. Furthermore, several of the interviewed EIC beneficiaries detailed the relationship between attending an international trade fair and establishing a presence in the overseas market. As indicated, international trade fairs represent the best platform to establish new contacts and leads, showcase their technologies, identify new business and R&D partners, and connect to learn about new markets and technology developments. As such, participation in international trade fairs is, for many, the core aspect of internationalisation efforts.

In contrast, compared to other forms of support, the information on rules and the regulation was assessed by EIC beneficiaries as least impactful among the beneficiaries who have received this support (Figure 11). Additional research suggested that this is the case mainly because such support often provides information in a generic and broader sector consideration. For most EIC beneficiaries, especially those developing high-tech solutions or operating in a niche market, to be effective, the provided information regarding market, rules and regulations needs to be very specific, rather than broader market/industry/sector outline.

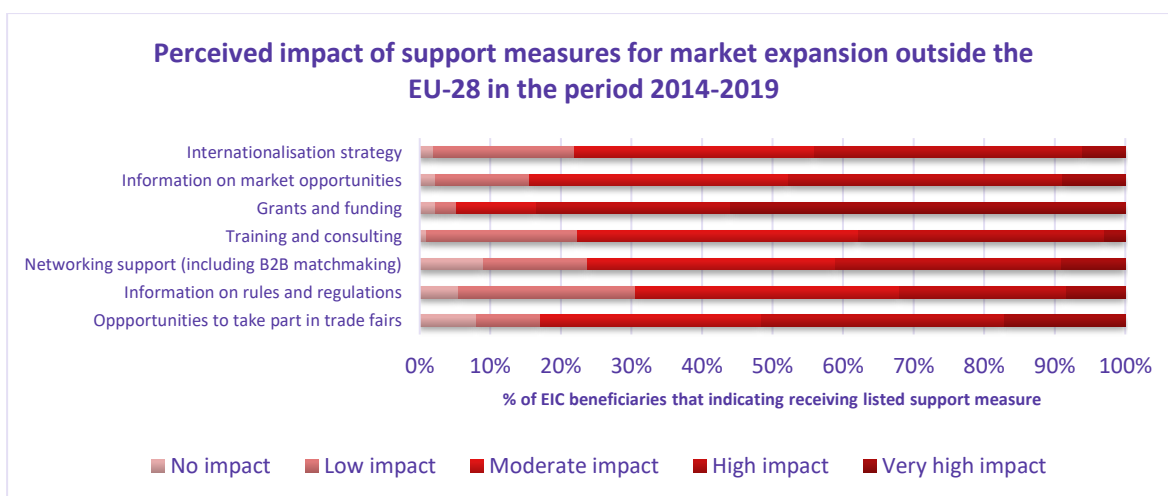


Figure 11 - Perceived impact of support measures for market expansion outside the EU-28 in the period 2014-2019

5.3 Measures that would help EIC beneficiaries to expand on markets outside the EU-27

As resulted from the impact assessment of the support measures analysed in the previous section, the need for financial support in expanding to markets outside the EU-27 was deemed as very high by the majority of the surveyed EIC beneficiaries (61%). For non-financial support measures, the need for networking support, opportunities to take part in international trade fairs and information on market opportunities regarding market expansion were assessed as very high by the highest portion of surveyed EIC beneficiaries (Figure 12). EIC beneficiaries particularly emphasized that in addition to having an opportunity to interact with international companies, one of the most challenging aspects of expanding to third markets is utilizing this opportunity most efficiently. More specifically, understanding how to identify and approach relevant and well-matching contacts and doing so in a rather quick manner. For that reason, in addition to facilitating access to trade fairs, networking support, or any other form of support that assists the identification of contacts and enhances the capacity of companies to interact with third market partners are very much welcomed, however, as long as they are tailored to the specific needs of the company.

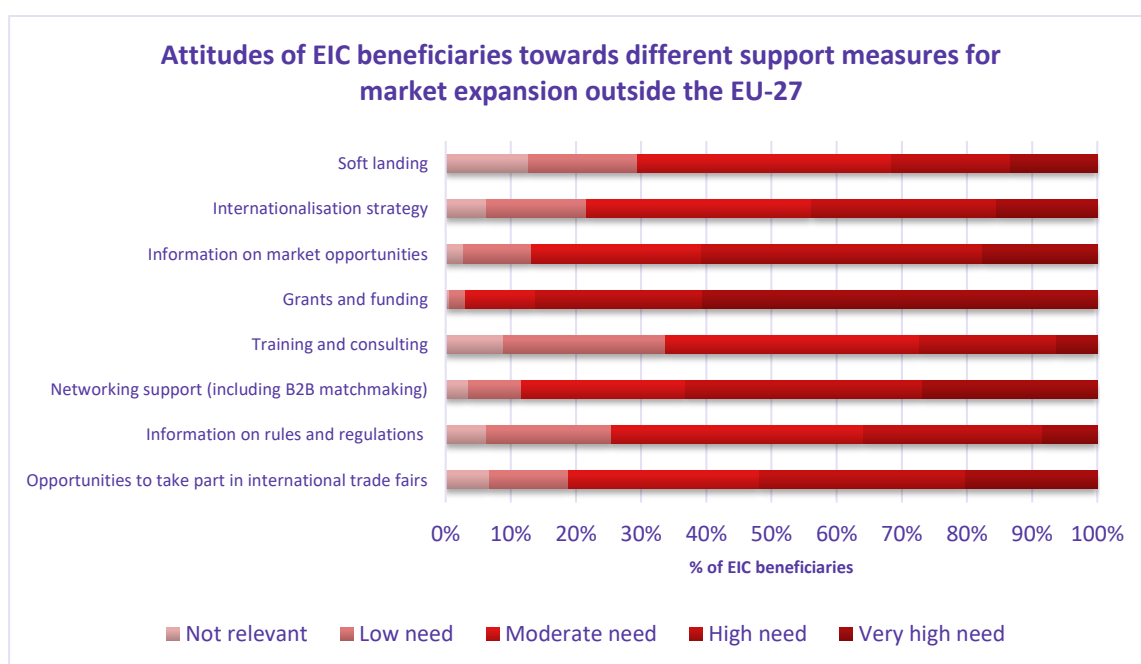


Figure 12 - Attitudes of EIC beneficiaries towards different support measures for market expansion outside the EU-27

While the need for financial support was expectedly unanimously assessed high and very high, some interesting trends can be observed for non-financial support measures and actions.

The analysis of EIC beneficiaries' business profiles from the survey (Annex II - Table 5) illustrates few notable differences, among which the following could be highlighted:

- + On average, EIC beneficiaries with a revenue up to EUR 250,000 and between EUR 500,000 and EUR 1 million exhibit the highest need for support measures. Among EIC beneficiaries with a revenue of up to EUR 250,000, the above-average proportion of respondents indicated a high or very high need for soft landing and information on rules and regulations. Among EIC beneficiaries with a revenue of EUR 500,000 and EUR 1 million, an above-average proportion of respondents indicated a high or very high need for opportunities to take part in international fairs and networking support.
- + EIC beneficiaries with less than ten employees are more likely to indicate a high or very high need for all support measures, with an exception for information on market opportunities and networking support.

Participation in trade fairs

In total, 93% of the surveyed EIC beneficiaries expressed the need for support in the form of opportunities to participate in international trade fairs. In addition to what was pointed in the sections before, such a high proportion of companies indicating the need suggests that the benefits of international trade fairs extend far beyond those of marketing new products, identifying leads and serving as an information platform. More specifically, large events of international character that gather a variety of different types of actors allow companies to make crucial steps in the development and advancement of networking, consequently enabling a smoother process of internationalisation. As a result, trade fairs significantly contribute to the minimization of the long process of building networks and acquiring knowledge on overseas markets, including the competitors.

Therefore, it comes as no surprise that, according to the survey, on average, nine out of ten (88%) EIC beneficiaries have participated in a trade fair. The largest proportion of companies that never attend a trade fair is among EIC beneficiaries with less than ten employees. In particular, 20% of EIC beneficiaries with less than ten employees never attended a trade fair, which is approximately three times more than EIC beneficiaries with over ten employees (Figure 13). Lower participation of companies with fewer employees is associated with high costs, as traveling, and exhibiting at trade fairs, particularly international, can be very costly. However, research demonstrates that the benefits of attending a trade fair are particularly high for smaller companies considering that trade fairs provide a cost-effective way of building networks of contacts, easy face time with industry leaders, media exposure, and an overall opportunity to present themselves and their product and/or services to a wide audience. With the cost component in mind, the need to facilitate access to international trade fairs for highly innovative SMEs, particularly smaller ones with a lower budget for internationalisation is even more emphasized.

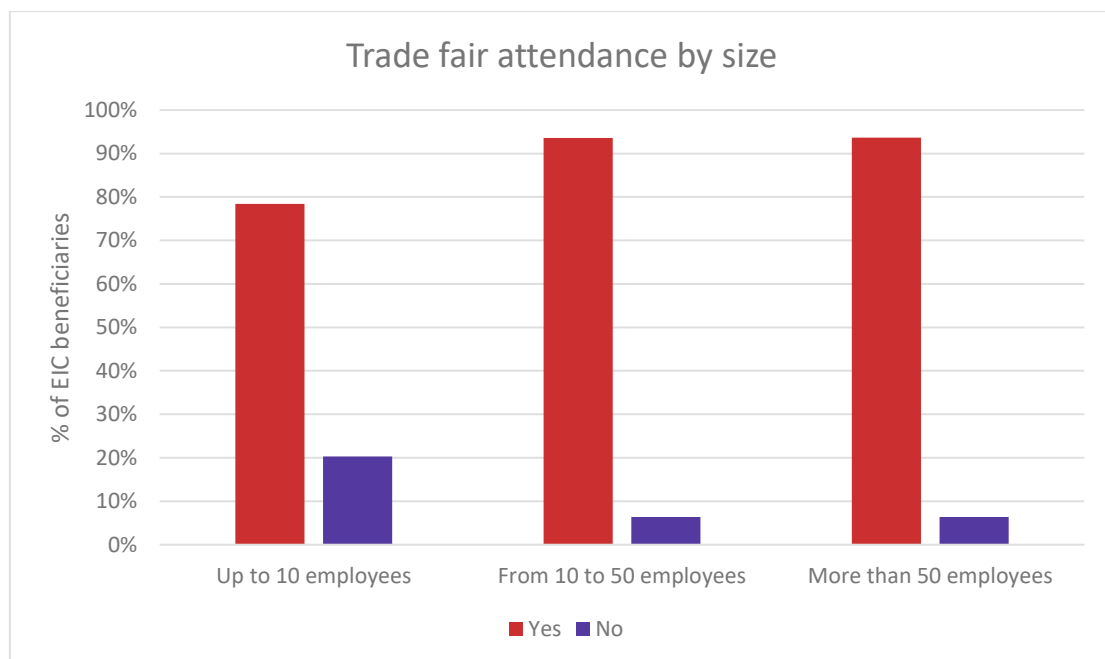


Figure 13 - Trade fair attendance by size

Of those EIC beneficiaries that attended trade fairs in the past, the smallest but still considerable portion (67%), has attended trade fairs outside EU-27 (Figure 14). In line with the overall aforementioned trend, the percentage of EIC beneficiaries with fewer than 10 employees that attended the trade fair is considerably lower (57%) as compared to bigger companies (72%).

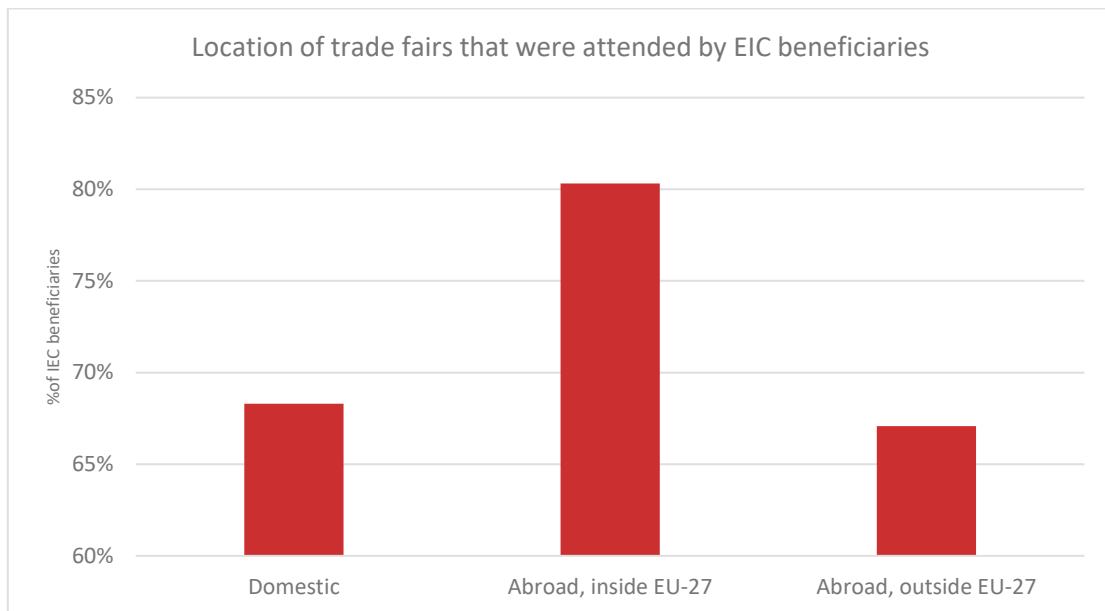


Figure 14 - Location of trade fairs that were attended by EIC beneficiaries

In attending an overseas trade fair, the most important considerations for the largest portion of EIC beneficiaries relate to sourcing new leads and customers and promoting their products and services. In addition, as explained at the beginning of the section, both matchmaking events, and information on the market opportunities represent an important type of support in the participation in international trade fairs, as long as they are tailored to the specific needs of the company and/ or sector. Furthermore, several EIC beneficiaries emphasized the importance of the location for their booth and/or pavilion during the trade fair, as attracting high traffic can be a powerful marketing medium and increase the chance of finding the right leads and partners. Connecting with new suppliers is the consideration of the significance for the smallest number of EIC beneficiaries (Figure 15).

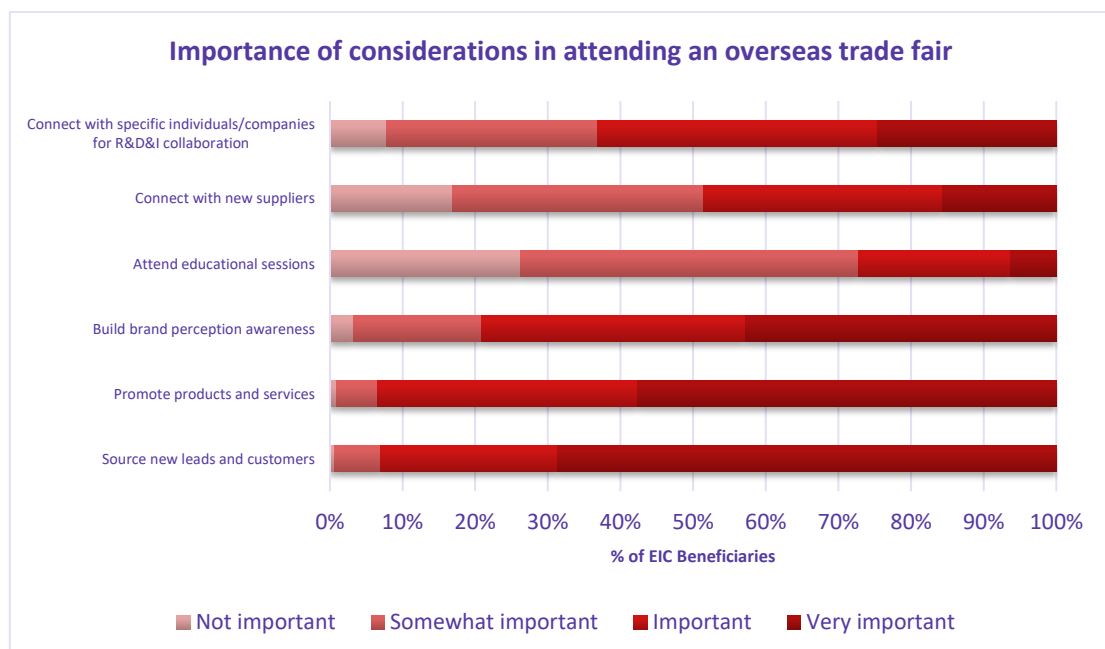


Figure 15 - Importance of considerations in attending an overseas trade fair

6. FINDINGS AND CONCLUSIONS

Based on the analysis of the survey results, developed research and interviews held, a set of findings and conclusions that synthesize the main result of the study was structured as detailed below.

- + International activities are essential to reinforcing SMEs growth and employment, and to enhancing competitiveness, and support for long-term sustainability and resilience. In this context, the companies' full growth potential depends on their ability to access overseas markets and seize the opportunities presented by growing and emerging markets. However, as demonstrated throughout the Analysis, the EIC beneficiaries face a considerable number of difficulties and challenges to market expansion. This is further emphasised in the current economic context with all the risks and uncertainties arising from it, where internationalisation and access to overseas markets are increasingly difficult for many companies.
- + Despite difficulties arising from uncertainty and the current pandemic situation, more than 90% of EIC beneficiaries indicated that they are planning to expand their activities in new markets, of which more than 80% stated that they are trying to do so now. Only 5% of companies indicated not having any expansion plans.
- + In terms of the most desired markets for planned expansion activities, the USA is a primary target market for EIC beneficiaries. Aside from the USA, EIC beneficiaries highlighted China, Latin America, Japan, and South East Asia as the most desired overseas markets for expansion.
- + As highlighted in the case studies and supported by information from the interviews and survey, sectors with high R&D intensity offer particularly big opportunities for market expansion, as new technologies are being developed at a fast pace, replacing the existing ones. In some cases, the pandemic accelerated this trend while, in others, completely shifted the technological landscape. Either way, the sectors such as ICT and New Technologies, Health and Pharma, and Environment and Clean Tech can be seen as particularly favourable for highly innovative SMEs, while access to international events only improves their growth potential, catalysing expansion.
- + For the highest proportion of EIC beneficiaries, the high financial investment required for the expansion, reaching client base in a target country, and identifying business partners are the main barriers for expansion. Furthermore, the frequency and impact of the barriers to market expansion increase with smaller EIC beneficiaries. This trend only emphasizes that EIC beneficiaries can strongly benefit from direct technical support, which would target some of these issues, particularly measures targeted to reduce costs associated with market expansion, facilitate identification and interaction with leads and support in the establishment of international partnerships in business and R&D.
- + The outcomes of the research suggest that highly innovative companies with strong high-growth potential require early access to international markets to ensure their development. EIC beneficiaries recognize the potential that internationalisation brings, as the survey demonstrated, and interviews confirmed that international activities represented an important aspect of EIC beneficiaries' businesses (90% of surveyed EIC beneficiaries engaged in some form of market expansion activities). Most surveyed EIC beneficiaries have developed business contacts outside the EU to enter a business relationship. The main type of business contacts sought are distributors, as they facilitate faster and secure access of EIC beneficiaries to new markets, followed by investors and partners for R&D activities.
- + The study pointed that EIC beneficiaries strongly benefit from the establishment of new business contacts in third countries, as business connections enable faster information flow (particularly regarding the market and regulatory considerations), a better understanding of the new market, knowledge exchange and identification of new leads.

- + The majority of the interviewed EIC beneficiaries emphasized the importance of attending an international trade fair for the establishment of their company's presence on the overseas market. As indicated, international trade fairs are the most suitable platform to establish new contacts and leads, showcase their technologies, identify new business and R&D partners, and connect to learn about new markets and technology developments. As such, participation in international trade fairs represents one of the core aspects of their internationalisation strategy.
- + In line with this, EIC Beneficiaries considered the opportunity to take part in trade fairs as the non-financial support measure for market expansion with the strongest positive impact. Coherently, 93% of the surveyed EIC beneficiaries expressed the need for support in the form of opportunities to participate in international trade fairs.
- + The survey indicated lower participation of companies with fewer employees in trade fairs. Such a trend is mainly associated with high costs, as traveling, and exhibiting at trade fairs, particularly international ones, can be very costly. However, research suggests that the benefits of attending a trade fair are particularly high for smaller companies, which emphasizes the need for support of highly innovative SMEs, particularly smaller ones with a lower budget for internationalisation
- + EIC beneficiaries with revenue up to EUR 250,000 and between EUR 500,000 and EUR 1 million exhibit the highest need for support measures.
- + EIC beneficiaries with a revenue of up to EUR 250,000, the above-average proportion of respondents also indicated a high or very high need for soft landing information on rules and regulations.
- + EIC beneficiaries with revenue between EUR 500,000 and EUR 1 million, the above-average proportion of respondents indicated a high or very high need for opportunities to take part in international fairs and networking support.
- + In attending an overseas trade fair, the most important considerations for the largest portion of EIC beneficiaries relate to sourcing new leads and customers and promoting their products and services. To a lesser extent, attending educational sessions, connecting with new suppliers are two considerations of significance for EIC beneficiaries.

As a final note it is worth highlighting that the results of the analysis developed in the present study confirm, without doubt, the importance of market expansion activities for SMEs, the relevance of attending trade fairs as an activity essential to internationalisation, and the unquestionable need of support to those activities: the main goal of the OTF 2.0 Programme.

ANNEX I: METHODOLOGY

The development of this study followed a three phased approach comprising (1) data collection, (2) data analysis and (3) reporting phases.

2.1 Data Collection Phase

The first phase involved four main sources of information: Desk research, Survey, Case Study, and Interviews

Desk research

A thorough literature review covered the following main sources of information:

- + EUROSTAT database (January) i.e., EUROPEAN STATISTICAL Recovery Dashboard;
- + EU Winter Economic Forecast (February);
- + IMF World Economic Outlook (March);
- + OECD Economic Outlook (December);
- + OECD European Business Cycle Indicators (Q1-Q4 2020);
- + OECD International Trade Pulse (January 2021); and
- + UNCTAD Investment Trends Monitor (January 2021).

Survey

The survey aimed to provide an overview of the pre-pandemic, pandemic, and post-pandemic economic situation as well as market expansion challenges, barriers, and needs for the EIC beneficiaries.

The survey questions were developed to facilitate data collection covering the following aspects:

- + profile of the company
- + internal relevant changes caused by the pandemic (business model, revenue, employment, operations)
- + trade with partners outside EU (pre-, during, post-pandemic)
- + market expansion activities outside the EU (pre-, during, post-pandemic)
- + third markets of main interest (pre-, during, post-pandemic)
- + main barriers to exporting (pre-, during, post-pandemic)
- + overall needs required for market expansion: funding, market research/identification of partners, etc.
- + project-specific needs: profile of partners for matchmaking events, safety concerns, markets of interest, and other.

The survey questionnaire is available at the end of this annex.

Case studies

Three case studies were developed, focused on the OTF 2.0 selected sectors (ICT and New Technologies, Health and Pharma, and Environment and Clean Technology). These case studies present the current global market status for each sector, the pandemic impact and the main trends and growth drivers. Additionally, the case studies offer an overview of each sector in the regions where the OTF Programme fairs will be held, providing market context and specific information on the respective fairs.

Interviews

Ten representative EIC Beneficiaries that participated in the Survey were interviewed to obtain a deeper qualitative analysis of a selection of topics based on their experiences of internationalisation, covering best practices, noteworthy experiences, and other relevant considerations. The main topics addressed were:

- + overall needs and support
- + selection of markets for expansion and how the pandemic affected the selection
- + types of initiatives and expansion plans
- + impact of the pandemic on business models and operations - and the company's response
- + main barriers to market expansion pre- and during the pandemic

The information collected in these interviews provided qualitative information that supported the development of the conclusions of the study namely regarding overcoming barriers, adapting business models to the pandemic period, and leveraging innovation and technology for market expansion purposes.

Adding to the beneficiaries' interviews, a pool of representatives of selected fairs included in the OTF 2.0 Programme were also interviewed and provided qualitative insights on the fairs and respective sector that enriched the content of the case studies.

2.2 Data Analysis Phase

In the second phase (data analysis of the empirical data gathered), the triangulation technique was used to identify and confirm the quality, strength, and relevance of the findings to ensure the overall coherence of evidence-based analytical work.

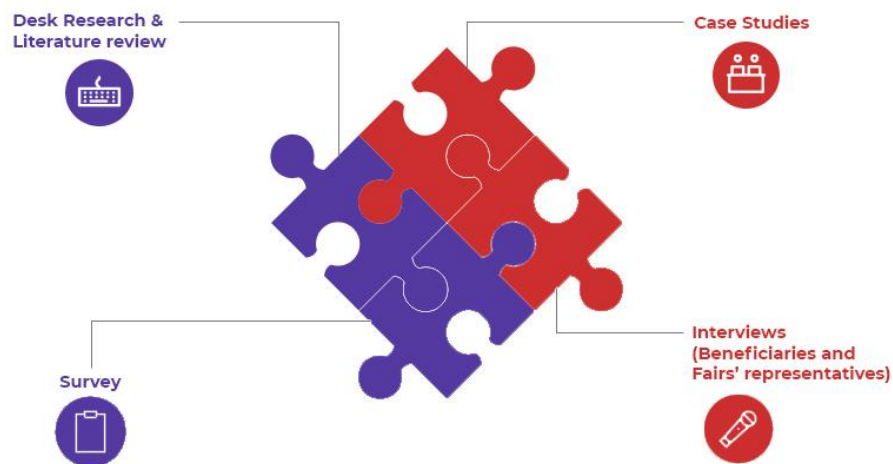


Figure 16 - Sources of data triangulation

2.3 Reporting Phase

Finally, in the reporting phase, all findings were pulled together and summarised in the form of this report. The findings of research and analysis fed the development of:

- + answers to the research questions; and
- + findings and conclusions.

Appendix to Annex I – Survey questionnaire

(all questions are mandatory)

Question	Type of answer (Numerical, Open-ended, Single-answer, Multiple-choice)
Section 1: Profile of the company	
1.1 Indicate the name of the EIC-funded company ²⁴	Open-ended
1.2 Country	Multiple Choice (select one) [will provide a pull-down menu and allow the user to select one country]
1.3 Year of establishment	[Year]
1.4 Indicate the number of permanent full-time staff	Multiple Choice (select one) <ul style="list-style-type: none"> • <10 • 10-49 • 50-100 • 100-249
1.5 Annual turnover (EUR)	Multiple Choice (select one) <ul style="list-style-type: none"> • 0-250k • 250k-500k • 500k-750k • 750k-1M • 1M-5M

²⁴ Funded as of 2014

	<ul style="list-style-type: none"> • 5M-25M • 25M-50M
<p>1.6 Please select your company's primary sector:</p>	<p>Multiple Choice (select one) [will provide a pull-down menu of sectors]</p> <p>Agriculture and fisheries Biomarkers and diagnostic medical devices Biotechnology and pharma Blue growth Business model innovation Construction and transport networks Consumer products and services Cultural and creative economy Eco-innovation and raw materials Energy and environment Engineering and technology Finance Food and beverages Health and medical care ICT Nanotechnologies Public sector innovation Security Space Other [open answer]</p>
<p>Section 2: Market expansion (pre-pandemic)</p>	
<p>2.1 In the last two years prior to the pandemic (2017-2019), did your company conduct any of the following market expansion activities?</p>	<p>Multiple Choice (select all that apply)</p> <ul style="list-style-type: none"> • Imported goods and/or services from another country • Exported products and/or services to another country • Conducted R&D&I activities as a partner outside the EU • Worked as a subcontractor for a company based abroad

	<ul style="list-style-type: none"> • Used a subcontractor based abroad • Created a subsidiary company outside the EU • Developed business contacts outside the EU to enter to a business relationship • Tried to develop business contacts outside the EU to engage in a business relationship but failed • I have not conducted any of the above activities
<p>2.1.1 Please indicate three main markets for exporting your products and/or services within the EU-28 in the pre-pandemic period?</p> <p>(if in 2.1. the respondent selected "Exported products and/or services to another country")</p>	<p>Multiple Choice (select three that apply) [will provide a pull-down menu and allow the user to select multiple countries]</p> <p>Austria; Belgium; Bulgaria; Croatia; Republic of Cyprus; Czechia; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Ireland; Italy; Latvia; Lithuania; Luxembourg; Malta; The Netherlands; Poland; Portugal; Romania; Slovakia; Slovenia; Spain; Sweden; UK / My company did not export within the EU-28</p>
<p>2.1.2 Please indicate three main markets for exporting your products and/or services outside the EU-28 in the pre-pandemic period?</p> <p>(if in 2.1. the respondent selected "Exported products and/or services to another country")</p>	<p>Multiple Choice (select three that apply) [will provide a pull-down menu and allow the user to select multiple countries]</p> <p>USA; Canada; Latin America; Middle East; China; Southeast Asia; India; Japan; Australia; North Africa; Sub-Saharan Africa; Russia; Turkey; Eastern Partnership countries; Western Balkans; Other: [open an answer] / My company did not export outside the EU-28</p>
<p>2.2 In 2019, what percentage (approximately) of your sales came from markets outside the EU-28?</p>	<p>Multiple Choice (select one)</p> <ul style="list-style-type: none"> • None • 1%-10% • 10%-25% • 25%-50% • >50%
<p>2.3 For which countries/regions outside the EU-28 did you have a market expansion interest in the pre-pandemic period? (please select up to three)</p>	<p>Multiple Choice (select three that apply the most) [will provide a pull-down menu and allow the user to select multiple countries]</p>

	<p>USA; Canada; Latin America; Middle East; China; Southeast Asia; India; Japan; Australia; North Africa; Sub-Saharan Africa; Russia; Turkey Eastern Partnership countries²⁵; Western Balkans; Other: [open answer]; I did not plan on market expansion outside the EU or other Horizon Europe associated Countries²⁶</p>																																																
<p>2.4 On a scale from 1 to 5 (1 being no impact; 5 being very high impact), please rank the following barriers to market expansion pre-pandemic:</p> <ul style="list-style-type: none"> • Tariffs • Knowledge of the market • Business culture differences • Administrative procedures • Internal capacities (lack of language skills, no specialized staff to deal with export procedures, etc.) • High financial investments required • Identification of the business partners abroad • Reaching client base in target countries 	<p>Multiple Choice (select one)</p> <table border="1"> <thead> <tr> <th></th> <th>1 (No impact)</th> <th>2 (Low impact)</th> <th>3 (Moderate impact)</th> <th>4 (High impact)</th> <th>5 (Very high impact)</th> </tr> </thead> <tbody> <tr> <td>Tariffs</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Knowledge of the market</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Business culture differences</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Administrative procedures</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Internal capacities (lack of language skills, no specialized staff to deal with export procedures, etc.)</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>High financial investments required</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Identification of the business partners abroad</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		1 (No impact)	2 (Low impact)	3 (Moderate impact)	4 (High impact)	5 (Very high impact)	Tariffs						Knowledge of the market						Business culture differences						Administrative procedures						Internal capacities (lack of language skills, no specialized staff to deal with export procedures, etc.)						High financial investments required						Identification of the business partners abroad					
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²⁵ Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine

²⁶ Island, Norway, Switzerland and Faroe Islands

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Reaching client base in target countries																																									
Section 3: Market expansion (After COVID-19 Outbreak)																																									
3.1 Has your company experienced difficulties following the outbreak of the COVID-19 pandemic?	<p>Multiple Choice (select all that apply)</p> <ul style="list-style-type: none"> • Reduced demand for products/services • Inability to deliver existing orders • Increased difficulty of financing business operations • Disruption of logistics • Upstream and downstream chain disruptions • I did not experience any difficulties • Other: [open answer] 																																								
3.2 Please indicate the degree of change in your company's operations, following the outbreak of the COVID-19 pandemic:	<table border="1"> <thead> <tr> <th></th> <th>Decrease >50%</th> <th>Decrease 50%-25%</th> <th>Decrease 25%-1%</th> <th>No Change</th> <th>Increase 1%-25%</th> <th>Increase 25-50%</th> <th>Increase >50%</th> </tr> </thead> <tbody> <tr> <td>Annual turnover</td> <td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td>Employment</td> <td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td>Export</td> <td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td>Import</td> <td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </tbody> </table>		Decrease >50%	Decrease 50%-25%	Decrease 25%-1%	No Change	Increase 1%-25%	Increase 25-50%	Increase >50%	Annual turnover								Employment								Export								Import							
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3.3 In 2020, what percentage (approximately) of your sales came from markets outside the EU-28?	<p>Multiple Choice (select one)</p> <ul style="list-style-type: none"> • None • 1%-10% • 10%-25% • 25%-50% • >50% 																																								

<p>3.4 Has the current COVID-19 crisis had an impact on your company that has forced you to change your market expansion strategy in response?</p>	<p>Single answer</p> <ul style="list-style-type: none"> • Yes • No • I don't have a market expansion strategy 						
<p>3.4.1 If your answer is yes, please indicate what the impact was on your planned expansion activities?</p>	<p>Single answer</p> <ul style="list-style-type: none"> • Increase in the expansion activities • Reduction in the expansion activities • Suspending the expansion activities • Permanent cease with the expansion activities 						
<p>3.5 Have you identified any new business opportunities as a result of COVID-19?</p>	<p>Single answer</p> <ul style="list-style-type: none"> • Yes • No 						
<p>3.5.1 If you selected yes, could you please explain what those new business opportunities are?</p>	<p>Single answer</p> <ul style="list-style-type: none"> • Export new products/services to the same export market • Export new product/services to new export markets • Export current products/services to new markets • Sell new products/services in the domestic market • New collaborations for R&D&I activities • Other: [open answer] 						
<p>3.6 Has your company encountered additional difficulties related to market expansion since the outbreak of the COVID-19 pandemic?</p>	<p>Binary</p> <ul style="list-style-type: none"> • Yes • No 						
<p>3.6.1 If yes, please indicate, the level of disruption for the following difficulties.</p> <ul style="list-style-type: none"> • Change in transportation costs • Closure of infrastructure used to export goods or services • Destination countries changing their border restrictions. 	<p>Multiple Choice (select all that apply)</p> <table border="1" data-bbox="1128 1270 1955 1345"> <tr> <td style="background-color: #00AEEF; color: white;"> </td> <td style="background-color: #00AEEF; color: white;">N/A (Do not know)</td> <td style="background-color: #00AEEF; color: white;">1 (No disruption)</td> <td style="background-color: #00AEEF; color: white;">2 (Low disruption)</td> <td style="background-color: #00AEEF; color: white;">3 (Moderate disruption)</td> <td style="background-color: #00AEEF; color: white;">4 (Severe disruption)</td> </tr> </table>		N/A (Do not know)	1 (No disruption)	2 (Low disruption)	3 (Moderate disruption)	4 (Severe disruption)
	N/A (Do not know)	1 (No disruption)	2 (Low disruption)	3 (Moderate disruption)	4 (Severe disruption)		

- Lack of logistical equipment
- Newly imposed regulations
- Reduced demand for products and services
- Insufficient operational cash flow
- Other: [open answer]

Change in transportation costs					
Closure of infrastructure used to export goods or services					
Destination countries changing their border restrictions.					
Lack of logistical equipment					
Newly imposed regulations					
Reduced demand for products and services					
Insufficient operational cash flow					

Area 4: Needs and support

<p>4.1 In the last five years before the pandemic (2014-2019), did your company receive any of the following types of support from public institutions or initiatives with regards to market expansion outside the EU?</p>	<p>Multiple-choice (select all that apply)</p> <ul style="list-style-type: none"> • Opportunities to take part in international trade fairs • Information on rules and regulations • Networking support (including B2B matchmaking) • Training and consulting • Grants and funding • Information on market opportunities • Internationalisation strategy • Other: [open answer] • I have not received support regarding market expansion 						
<p>4.1.1 If you have received the support in the past, please select the impact of the support for market expansion activities.</p>	<p>Single Choice (filtered for each selection from 4.1)</p> <p>1 (No impact) 2 (Low impact) 3 (Moderate impact) 4 (High impact) 5 (Very high impact)</p>						
<p>4.2 Please indicate up to three countries/regions that your company has the most interest regarding market expansion in the (post) pandemic period?</p>	<p>Multiple Choice (select three that apply the most) [will provide a pull-down menu and allow the user to select multiple countries]</p> <p>EU27; UK; USA; Canada; Latin America; Middle East; China; Southeast Asia; India; Japan; Australia; North Africa; Sub-Saharan Africa; Russia; Turkey Eastern Partnership countries; Western Balkans; Other: [open answer] / No interest for further market expansion</p>						
<p>4.2.1 Have you ever tried expanding to the above selected markets?</p>	<p>Multiple-choice (select all that apply)</p> <ul style="list-style-type: none"> • I used to conduct business in the past, but have stopped doing it • I have tried, but given up • I am trying to do it now • I am only considering it for the future 						
<p>4.3 Which of the following support actions would help your company the most to engage in new market expansions outside the EU-27 in the (post) pandemic period?</p>	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 20%;"></td> <td style="width: 15%;">Not relevant</td> <td style="width: 15%;">Low need</td> <td style="width: 15%;">Moderate need</td> <td style="width: 15%;">High need</td> <td style="width: 15%;">Very high need</td> </tr> </table>		Not relevant	Low need	Moderate need	High need	Very high need
	Not relevant	Low need	Moderate need	High need	Very high need		

	<table border="1"> <tr> <td>Opportunities to take part in international trade fairs</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Information on rules and regulations</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Networking support (including B2B matchmaking)</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Training and consulting</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Grants and funding</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Information on market opportunities</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Internationalisation strategy</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Soft landing</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	Opportunities to take part in international trade fairs						Information on rules and regulations						Networking support (including B2B matchmaking)						Training and consulting						Grants and funding						Information on market opportunities						Internationalisation strategy						Soft landing					
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4.3.1 Please indicate other measures that would support your company in its expansion to new markets.	Open-ended																																																
4.4 Have you ever participated in a trade fair before?	Binary <ul style="list-style-type: none"> • Yes • No 																																																
4.4.1 If yes, please indicate the location of the trade fair(s):	Multiple-choice (select all that apply) <ul style="list-style-type: none"> • Domestic • Abroad, within EU27 • Abroad, outside EU27 																																																
4.5 In attending an overseas trade fair, which of the following considerations would be the most important for your company? (please select up to three)	Multiple-choice (select three that apply the most) <table border="1"> <thead> <tr> <th></th> <th>Not important</th> <th>Somewhat important</th> <th>Important</th> <th>Very important</th> </tr> </thead> <tbody> <tr> <td>Source new leads and customers</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Not important	Somewhat important	Important	Very important	Source new leads and customers																																										
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<p>4.6 Considering the pandemic situation, would your company consider attending trade fairs during 2021 with physical presence?</p>	<p>Binary</p> <ul style="list-style-type: none"> • Yes • No 																									
<p>4.7 Would your company be willing to participate in a case study that would highlight your experience in regard to market expansions?</p>	<p>Binary</p> <ul style="list-style-type: none"> • Yes • No 																									
<p>4.8 Please share your contact details</p> <p>(if in 4.7. the respondent selected "yes")</p>	<p>Open text</p>																									

ANNEX II: DETAILED RESULTS OF THE SURVEY

Business profile of the surveyed EIC beneficiaries

This section analyses the structure of EIC beneficiaries considering the following four core aspects: company size, sector, age, and revenue.

Total respondents represented EIC beneficiaries from 30 European countries, of which 23 are from EU-27 Member states and seven from Horizon 2020 - associated countries. The three countries that participated the most in the survey were Spain (with 83 respondents), Italy (with 56 respondents), and France (with 29 respondents).

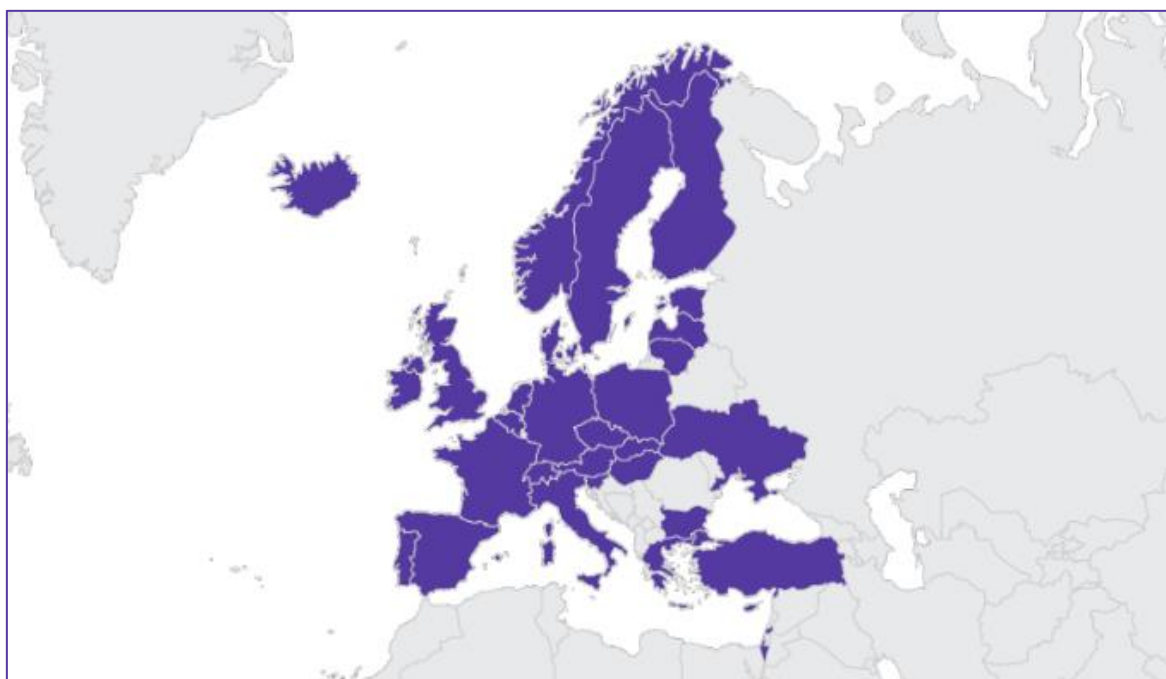


Figure 17 - Surveyed EIC beneficiaries' countries²⁷

Taking into consideration the EIC beneficiaries' size, the vast majority of respondents (86%) are micro and small enterprises, having fewer than 50 employees. In particular, the largest portion (47%) of respondents have between 10 and 50 employees (small-sized enterprises), while 41% employ less than 10 people (micro-enterprises). Only 13% of the companies surveyed employ over 50 people (medium-sized enterprises) (Figure 18).

²⁷Among EIC beneficiaries that participated in the survey, no respondents from four EU-27 Member States were identified: Croatia, Luxembourg, Malta, and Romania.

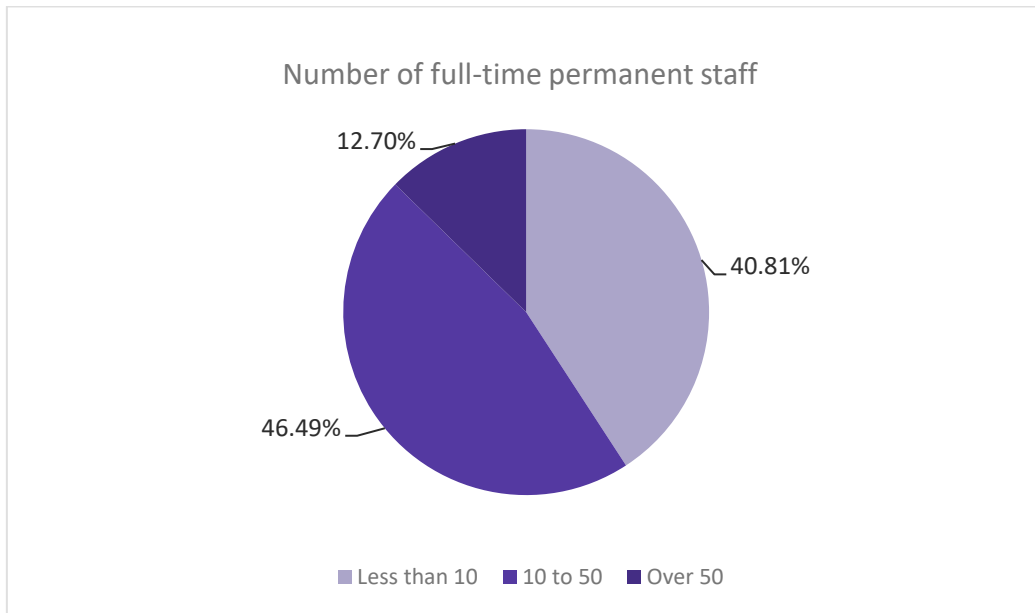


Figure 18 - Number of full-time employees

The total aggregate of EIC beneficiaries is active in more than 20 sectors, with the highest portion operating in the Engineering and Technology sector (29%). Alongside this sector, most of the EIC beneficiaries who responded to the survey have operations affiliated with Health and Medical Care (13%), ICT (11%), Energy and Environment (9%), and Biotech and Pharma (8%).

The majority of EIC beneficiaries covered by this survey were established since 2010 (64%), and around a third were established between 2015 and 2019 (31%). 27% of the respondents were established between 1990 and 2010 and only 8% before 1990 (Figure 19).

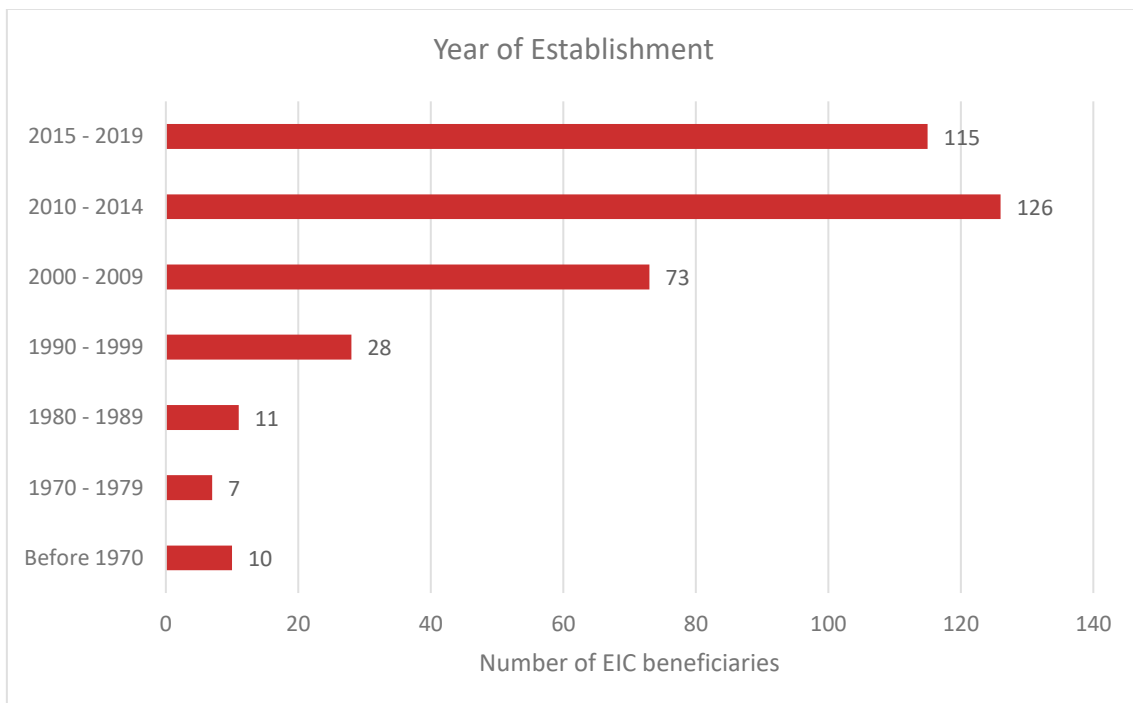


Figure 19 - Year of establishment

In terms of revenue, the majority of respondents reported an annual amount of less than EUR 500,000 (52%). Around 13 % of the respondents reported between EUR 500,000 and EUR 1 million, with the remainder (35%) having annual revenue of over EUR 1 million (Figure 20).

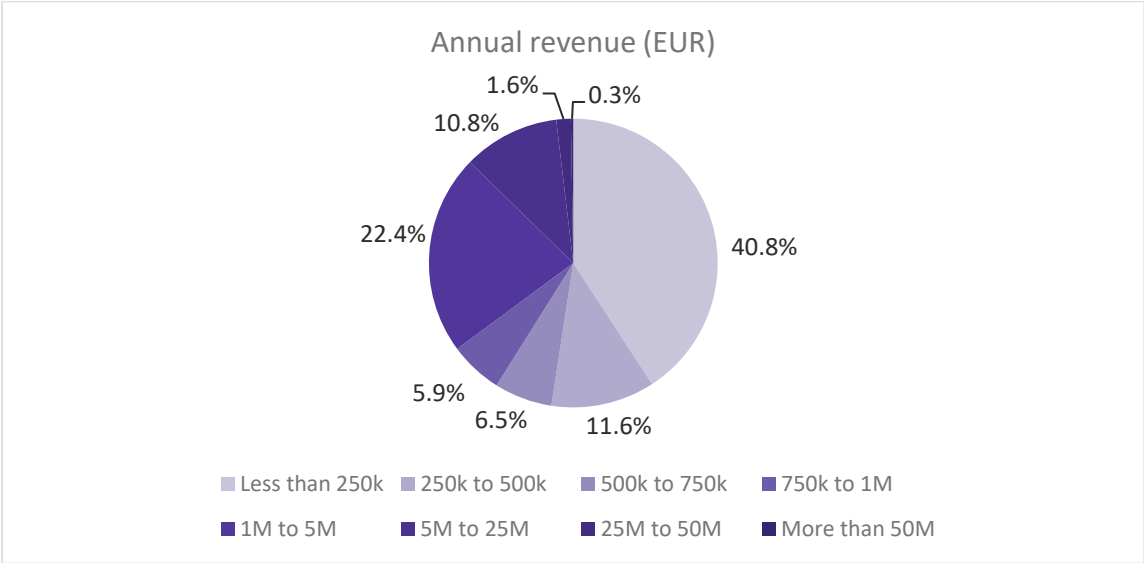


Figure 20 - Annual revenue (EUR) of respondents

Looking at the annual revenue per size of the EIC beneficiaries (Figure 21), it can be observed that 72% of the largest group, micro-enterprises (less than ten employees), report an amount lower than EUR 250,000. Most companies employing between 10 and 50 employees have annual revenues of over EUR 1 million (48%), with 23 % of companies reporting revenue of up to EUR 250,000. The majority (86%) of the EIC beneficiaries employing over 50 people have annual revenues of over EUR 1 million, of which 70% report annual revenues higher than EUR 5 million.

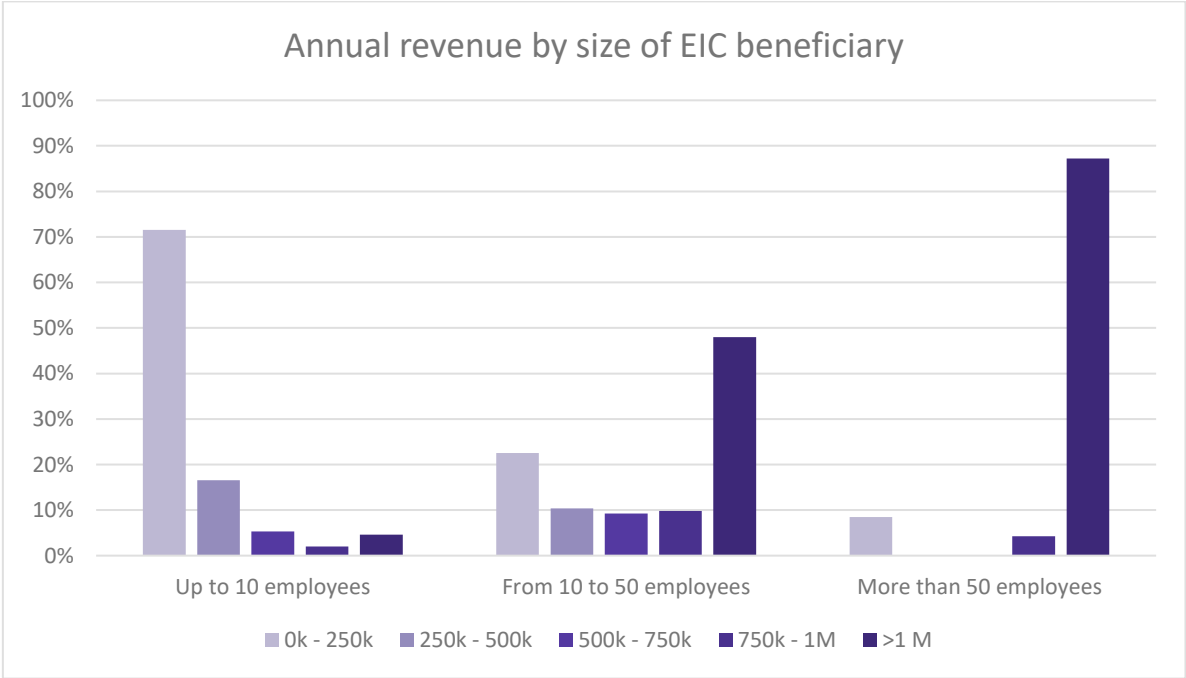


Figure 21 - Annual revenue by size of EIC beneficiary

Data Tables

Table 1 - Changes to annual revenue of EIC beneficiaries during the pandemic

	Decrease >50%	Decrease 25%-50%	Decrease 1%-25%	No Change	Increase 1%-25%	Increase 25%-50%	Increase >50%
EIC beneficiary year of establishment							
Before 2015	13%	15%	23%	25%	11%	7%	6%
After 2015	16%	12%	13%	37%	7%	10%	6%
Revenue							
Up to EUR 250,000	23%	9%	10%	45%	4%	5%	4%
EUR 250,000 – 500,000	12%	16%	23%	12%	16%	9%	12%
EUR 500,000 – 1 million	13%	20%	17%	26%	13%	7%	4%
EUR 1million – 5 million	4%	18%	29%	17%	14%	12%	6%
Over EUR 5 million	4%	13%	36%	17%	13%	9%	8%
Size							
Up to 10 employees	21%	11%	15%	35%	7%	6%	5%
10 – 50 employees	10%	19%	22%	24%	12%	7%	6%
Over 50 employees	4%	2%	30%	28%	13%	15%	8%

Base: All surveyed EIC beneficiaries

Table 2 - Changes to employment of EIC beneficiaries during the pandemic

	Decrease >50%	Decrease 25%-50%	Decrease 1%-25%	No Change	Increase 1%-25%	Increase 25%-50%	Increase >50%
EIC beneficiary year of establishment							
Before 2015	2%	5%	17%	43%	24%	7%	2%
After 2015	5%	5%	18%	36%	14%	12%	10%
Revenue							
Up to EUR 250,000	6%	8%	15%	44%	16%	7%	4%
EUR 250,000 – 500,000	0%	7%	12%	37%	23%	9%	12%
EUR 500,000 – 1 million	0%	2%	24%	37%	26%	11%	0%
EUR 1million – 5 million	1%	1%	22%	39%	20%	13%	4%
Over EUR 5 million	0%	4%	19%	43%	28%	0%	6%
Size							
Up to 10 employees	6%	8%	14%	46%	17%	5%	4%
10 – 50 employees	1%	4%	20%	39%	21%	10%	5%
Over 50 employees	0%	0%	19%	30%	34%	11%	6%

Base: All surveyed EIC beneficiaries

Table 3 - Changes in exporting activities of EIC beneficiaries during the pandemic

	Decrease >50%	Decrease 25%-50%	Decrease 1%-25%	No Change	Increase 1%-25%	Increase 25%-50%	Increase >50%
EIC beneficiary year of establishment							
Before 2015	12%	15%	25%	21%	17%	6%	4%
After 2015	24%	9%	15%	20%	13%	13%	6%
Revenue							
Up to EUR 250,000	39%	12%	15%	20%	7%	2%	5%
EUR 250,000 – 500,000	18%	13%	17%	22%	17%	4%	9%
EUR 500,000 – 1 million	12%	19%	16%	34%	13%	6%	0%
EUR 1million – 5 million	6%	16%	21%	19%	23%	11%	4%
Over EUR 5 million	7%	10%	41%	14%	14%	7%	7%
Size							
Up to 10 employees	26%	17%	13%	23%	11%	4%	6%
10 – 50 employees	12%	17%	23%	18%	19%	8%	3%
Over 50 employees	6%	0%	34%	26%	11%	11%	12%

Base: EIC beneficiaries that reported exporting activities in 2019

Table 4 - Breakdown of EIC beneficiaries that indicated severe disruption to market expansion caused by COVID-19

	Insufficient operational cash flow	Reduced demand for products and services	Newly imposed regulations	Lack of logistical equipment	Destination countries changing border restrictions	Closure of infrastructure used to export goods and services	Change in transportation costs
EIC beneficiary year of establishment							
Before 2015	14%	20%	8%	3%	23%	6%	6%
After 2015	16%	16%	8%	5%	16%	6%	5%
Revenue							
Up to EUR 250,000	16%	15%	7%	3%	16%	6%	4%
EUR 250,000 – 1 million	21%	21%	7%	3%	24%	5%	7%
Over EUR 1million – 5 million	9%	22%	11%	5%	25%	7%	8%
Size							
Up to 10 employees	16%	15%	6%	3%	17%	4%	6%
10 – 50 employees	16%	24%	9%	4%	24%	7%	6%
Over 50 employees	6%	13%	11%	2%	23%	9%	6%

Base: All surveyed EIC beneficiaries

Table 5 - Breakdown of EIC beneficiaries that indicated high or very high need for support measures

	Opportunities to take part in international fairs	Information on rules and regulations	Networking support including B2B matchmaking	Training and Consulting	Grants and Funding	Information on Market Opportunities	Internationalisation strategy	Soft Landing
EIC beneficiary year of establishment								
Before 2015	49%	33%	61%	25%	86%	61%	45%	26%
After 2015	59%	42%	68%	31%	87%	60%	42%	44%
Revenue								
Up to EUR 250,000	50%	40%	63%	30%	91%	57%	46%	46%
EUR 250,000 – 500,000	58%	32%	63%	19%	79%	59%	46%	39%
EUR 500,000 – 1 million	57%	37%	76%	33%	89%	67%	37%	37%
EUR 1million – 5 million	50%	33%	55%	24%	89%	66%	46%	23%
Over EUR 5 million	51%	30%	64%	26%	68%	59%	46%	21%
Size								
Up to 10 employees	55%	38%	65%	30%	88%	58%	48%	36%
10 – 50 employees	51%	36%	61%	26%	85%	63%	41%	27%
Over 50 employees	45%	30%	66%	23%	81%	64%	41%	32%

ANNEX III: CASE STUDIES

Case Study: ICT and New Technologies

Overview

Ranking among the largest market sectors in the world, ICT and new technologies are often characterised as one of the most dynamic parts of the global economy, standing out for their high R&D intensity²⁸. Even before the pandemic, the consistent development and deployment of ICT software and infrastructure have been deeply impacting the global economy. More specifically, the application of ICT and new technologies has transformed the production, sales and distribution processes of many economic sectors, particularly by facilitating the diffusion of robotisation and automation²⁹. COVID intensified and accelerated this trend, as the role of ICTs and new technologies became pivotal in lessening the impact of the pandemic by enabling and facilitating economic activity. As a result, 2020 and 2021 have seen a significant boost to the penetration of ICT in the economy and everyday life.

The impact of the pandemic is only one of the recent growth drivers. The International Telecommunication Union emphasises that climate responsibility, continued economic development, demographic shifts and social wellbeing are also seen as key drivers for the sector both in the present and the next decade, led by advancement in technologies such as Artificial intelligence (AI), the Internet of Things, cloud computing, distributed ledger technology, precision medicine, digital trade, and autonomous mobility³⁰. In terms of business expenditure, consistent growth of traditional technology spending among businesses worldwide is expected to be driven by platforms such as cloud, mobile, social, and big data, while cost savings generated by cloud and automation should enable more spending to be diverted towards new technologies such as AI, robotics, augmented and virtual reality, and blockchain³¹.

The ICT sector is also a crucial driver of the EU's economic development and growth. In particular, the EU has the third largest ICT sector globally, and ICT-related innovation alone represents between 17% and 26% of total innovative output in the EU³². In 2019, ICT goods exports represented 5.3% of total goods exported in the EU-27, while in 2017, ICT service exports represented 12.6% of the 27's total service exports^{33,34}. Bearing in mind the size and importance of the sector for the EU and considering the accelerated global demand for ICT and new technologies, the sector offers numerous opportunities for European businesses worldwide. Further, considering the high R&D intensity of the sector (with new technologies being developed at a fast pace and replacing the existing ones), the sector is particularly favourable for the internationalisation of research-driven SMEs and to improve the EU's competitiveness on the global scale. Leveraging innovation and facilitating access to global markets for highly innovative European SMEs is even more important – the recent evaluation from the EU JRC PREDICT report (2020) states that *“the EU28 is not improving its overall position in the international context”*, calling for a reflection on the current relative

²⁸ https://www.cyberstates.org/pdf/CompTIA_Cyberstates_2021.pdf

²⁹ <https://publications.jrc.ec.europa.eu/repository/handle/JRC121153#:~:text=reportsInformation%20society-.THE%202020%20PREDICT%20REPORT%20Key%20Facts%20Report,series%20that%20is%20published%20annually.&text=The%20report%20focuses%20especially%20on%20the%20ICT%20R%26D%20macroeconomic%20dynamics.>

³⁰ https://www.itu.int/en/ITU-D/Conferences/WTDC/WTDC21/Documents/RPM/EUR/Digital-Trends_Europe-E.pdf

³¹ <https://www.idc.com/promo/global-ict-spending/forecast>

³² <https://ec.europa.eu/jrc/en/research-topic/ict-rd-and-innovation>

³³ <https://data.worldbank.org/indicator/TX.VAL.ICTG.ZS.UN>

³⁴ <https://data.worldbank.org/indicator/BX.GSR.CCIS.ZS?locations=EU>

future position of the EU ICT sector in the international landscape³⁵. Taking into consideration the results of the survey where over 90% of surveyed EIC beneficiaries from ICT and Engineering and Technology sectors expressed both the desire for market expansion and the need for support in facilitating access to international trade fairs, the OTF 2.0 programme can provide a strong impetus for Europe's most innovative companies in their expansion efforts to four front-runner ICT markets: US, China, Middle East and Southeast Asia.

United States

The US has the largest ICT sector in the world, amounting to around EUR 800 billion in value added. Furthermore, the US is the country with the largest labour productivity per hour worked in ICT manufacturing and services, as well as the country with the highest global business enterprise research and development expenditure in ICT³⁶. Hosting some of the biggest tech and industrial giants and with an estimated directed economic output of the US tech industry at EUR 1.7 trillion (around 10% of direct economic value), America is also the primary desired market for expansion among the surveyed EIC beneficiaries from the ICT sector, even ahead of the EU itself^{37,38}.

Consumer Electronics Show (CES) International - Las Vegas, US

CES International is a global consumer electronics and consumer technology tradeshow that takes place annually in Las Vegas. It offers a unique exposure for manufacturers, developers and suppliers of consumer technology hardware, content, technology delivery systems and more. Numerous workshops, fruitful roundtable discussions, keynote speeches by industry leaders and pioneering thinkers aim at helping innovative start-ups and SMEs learn, grow and scale in today's evolving tech ecosystem. Only in 2021, CES hosted almost 2,000 exhibitors from 48 countries, of which more than 650 were start-ups. Estimates of leads generated at CES amounted to over 1 million³⁹. Exhibitors feature products from more than 40 consumer technology categories including 5G, block chain, quantum computing, smart cities, among others⁴⁰.

China

China's ICT sector is the second largest in the world, just behind the US both in terms of generated value added and business enterprise research and development expenditure⁴¹. Growth in China's ICT sector's research and development expenditure and labour productivity has been steep over the past decade, outpacing that achieved by both the EU and the US. As a result, China is consistently improving the quality of its domestic hardware, software, and services. As the sector continues to develop, the highest demand is reported to be for industrial big data and industrial internet solutions and architecture^{42, 43}. Moreover, the integration of emerging technologies such as smart platform/vehicle operating systems, AI, virtual and augmented reality into - and transforming - traditional industries is expected to drive future demand, opening several opportunities for foreign companies, particularly due to China's gap between growing demand and domestic production⁴⁴. Furthermore, China's efforts to strengthen the domestic ICT

³⁵ <https://ec.europa.eu/jrc/en/predict>

³⁶ See footnote 29

³⁷ <https://www.cyberstates.org/>

³⁸ <https://www.nam.org/state-manufacturing-data/2020-united-states-manufacturing-facts/>

³⁹ https://cdn.ces.tech/ces/media/pdfs/2021/ces-2021_by-the-numbers.pdf

⁴⁰ <https://www.ces.tech/Exhibitor-Showcase/Product-Categories.aspx>

⁴¹ See footnote 29

⁴² <https://www.privacyshield.gov/article?id=China-Technology-and-ICT>

⁴³ http://www.gov.cn/zhengce/2021-02/18/content_5587565.htm

⁴⁴ <https://www.export.gov/apex/article?id=China-Technology-and-ICT>

production will continue to drive the demand for consultancy services and training, particularly those oriented towards cutting-edge ICT technology and solutions, in which lack of domestic technical expertise exists⁴⁵.

[China International Industry Fair \(CIIF\) - Shanghai, China](#)

Since its launch more than 20 years ago, CIIF has become one of China's most influential international industry brand exhibitions. Hosted by the Chinese Ministry of Industry and Information Technology, National Development and Reform Commission, Ministry of Commerce, Ministry of Science and Technology, Chinese Academy of Science, Chinese Academy of Engineering, China Council for the Promotion of International Trade, United Nations Industrial Development Organization and Shanghai Municipal People's Government, co-organised with China Machinery Industry Federation and managed by Donghao Lansheng Co., the trade show attracts more than 2,300 exhibitors from 22 countries annually, including some of the biggest brands in China and beyond within various technology industries such as 5G, robotics, new materials ⁴⁶. Considering that around 90% of exhibitors are from China and that the event attracts almost 200,000 attendees, it is an excellent opportunity for EIC beneficiaries to present their business and technology on the Chinese market.

Middle East

With an objective of economic diversification, several Middle Eastern countries have been focused on the development and advancement of the ICT sector. Many of the region's governments see great potential in creating high-tech knowledge economies (to diversify as a result of climate change), and the pandemic has only accelerated events, particularly due to the price fluctuations within the hydrocarbon industry. As a result, countries in the Middle East, and particularly GCC members, are implementing several policies to boost the competitiveness of the local technology ecosystem. Furthermore, as reported by Deloitte insights⁴⁷, in the recent period, market positioning in the Middle East as a generalist or low-value reseller is becoming less viable for businesses, while tech specialisation is becoming key to success. In this context, the region increasingly requires more sophisticated digital solutions, with English and Arabic language support, tailored to the region's specific requirements. Of the states in the region, the UAE is often assessed as a leader concerning overall ICT performance⁴⁸. UAE also hosts the annual Gulf Information Technology Exhibition, one of the world's biggest tech and electronics events, and part of the OTF 2.0 programme.

[Gulf Information Technology Exhibition \(GITEX\) - Dubai, UAE](#)

With a variety of tech actors such as research organisations, university technology transfer offices, IP intermediaries, technology translators, multinational corporations, SMEs, and public agencies, TECHINNOVATION is the largest technology-to-industry matching event in the SEA region. The latest event, held in 2020, brought together over 2,000 participants (40% local), of which more than 150 were exhibitors⁴⁹. As a matching event, TECHINNOVATION provides several opportunities for participants from various tech-related backgrounds and sectors to network and collaborate, facilitating over 1,000 meetings⁵⁰.

⁴⁵ https://www.iberchina.org/files/china_ict.pdf

⁴⁶ <https://www.ciifexpo.com/uploads/file/home/zhbg/%E7%AC%AC22%E5%B1%8A%E4%B8%AD%E5%9B%BD%E5%B7%A5%E5%8D%9A%E4%BC%9A%E5%B1%95%E5%90%8E%E6%8A%A5%E5%91%8A%EF%BC%88%E8%8B%B1%E6%96%87%EF%BC%89.pdf>

⁴⁷ <https://www2.deloitte.com/ae/en/pages/about-deloitte/articles/transform-saudi-arabia/gcc-technology.html>

⁴⁸ <https://www.strategyand.pwc.com/ml/en/strategic-foresight/sector-strategies/technology/refreshing-national-ict-strategy.html>

⁴⁹ https://etouches-appfiles.s3.amazonaws.com/html_file_uploads/c4a0cab1888b1d681fe6ea35db97ef43_techInnovation-2021-exhibitors-package.pdf?response-content-disposition=inline%3Bfilename%3D%22techInnovation-2021-exhibitors-package.pdf.pdf%22&response-content-type=application%2Fpdf&AWSAccessKeyId=AKIA3OQUANZMMJEUZYBJ&Expires=1625844716&Signature=gVck3GcgxTbsl13sqV9Tykv2G2A%3D

⁵⁰ <https://www.techinnovation.com.sg/>

It is a valuable gateway to the SEA region for EIC beneficiaries in their efforts to establish new partnerships in this rapidly developing region and beyond.

Southeast Asia

During the past decade, the Southeast Asia (SEA) region has seen a dramatic uptake of digital services and applications and the rapid diffusion of broadband (particularly mobile). At the end of 2020, around 400 million of the approximately 650 million people in the SEA region were actively using the internet, which is over 60% of the population, representing a steep increase from just over 12% of the region's population at the end of 2007⁵¹. As a result, the SEA ICT market is one of the most promising and most attractive globally, with many sectors (particularly commerce, transport, food, media, financial services, health, and education) subject to rapid digitalisation in the past decade⁵². Moreover, initiatives such as the Master Plan on ASEAN Connectivity 2025 and the ASEAN Digital Master Plan 2025 clearly outline the region's commitment to becoming a digital community and economic powerhouse, based on digital services, advanced infrastructure, technologies, and ecosystems^{53,54}. In line with the EU JRC's 2020 PREDICT report's assessment that the centre of gravity for the future global ICT ecosystem is moving towards the East, it is evident that for EIC beneficiaries offering solutions related to ICT and new technologies, many opportunities lie within this rapidly growing market.

TECHINNOVATION - Singapore, Singapore

With a variety of tech actors such as research organisations, university technology transfer offices, IP intermediaries, technology translators, multinational corporations, SMEs, and public agencies, TECHINNOVATION is the largest technology-to-industry matching event in the SEA region. The latest event, held in 2020, brought together over 2,000 participants (40% local), of which more than 150 were exhibitors⁵⁵. As a matching event, TECHINNOVATION provides several opportunities for participants from various tech-related backgrounds and sectors to network and collaborate, facilitating over 1,000 meetings⁵⁶. It is a valuable gateway to the SEA region for EIC beneficiaries in their efforts to establish new partnerships in this rapidly developing region and beyond.

⁵¹ <https://www.oecd.org/going-digital/southeast-asia-connecting-SMEs.pdf>

⁵² https://storage.googleapis.com/gweb-economy-sea.appspot.com/assets/pdf/e-Conomy_SEA_2020_Report.pdf

⁵³ <https://asean.org/storage/ASEAN-Digital-Masterplan-2025.pdf>

⁵⁴ <https://www.gica.global/resources/master-plan-asean-connectivity-2025>

⁵⁵ https://etouches-appfiles.s3.amazonaws.com/html_file_uploads/c4a0cab1888b1d681fe6ea35db97ef43_techInnovation-2021-exhibitors-package.pdf?response-content-disposition=inline%3Bfilename%3D%22techInnovation-2021-exhibitors-package.pdf.pdf%22&response-content-type=application%2Fpdf&AWSAccessKeyId=AKIA3OQUANZMMJEUYZBJ&Expires=1625844716&Signature=gVCk3GcgxTbsl13sqV9Tykv2G2A%3D

⁵⁶ <https://www.techinnovation.com.sg/>

Case Study: Health and Pharma

Overview

Novel health and pharma technologies have been crucial in addressing the most urgent needs during the pandemic, including in the immediate outbreak response and during the later stages, regarding impact mitigation⁵⁷. As a result, growth in investments on the global scale has been occurring at a significant pace. In the “State of the healthcare” report for Q1 of 2021, CB insights reported that global healthcare funding hit a new quarterly record, with more than EUR 25 billion in equity funding raised⁵⁸. While the pandemic has fuelled investments in digital R&I and customer engagement, it has also accelerated the transformation of healthcare delivery. Recent reports highlight that in a matter of weeks, the sector shifted a significant portion of its work towards online platforms and digital technologies, while existing trends such as AI and telemedicine (which formerly grew only gradually) have accelerated substantially, resulting in significant changes to the overall ecosystem⁵⁹.

Similarly, the pharma sector has been experiencing a wave of innovations, which extends to new treatment modalities, big data analytics, AI and machine learning and digital connectivity. Recent assessments of the global demand trends within the pharma sector emphasise prevention and a renewed focus on value as the demand for medicines continues to rise⁶⁰. Moreover, growing investment in health technologies and shift to virtual platforms are continuously impacting the R&I in the pharma sector. In fact, Deloitte Insights report that as a result of the rapid digitalisation that is occurring in the health sector, a large amount of data is being created that can be used for improving the clinical trial process and therapeutics, as well as for labelling and targeting products for most suited patient populations⁶¹.

As the global industry landscape of the health and pharma sector is experiencing major shifts, new market opportunities are emerging in both the short and long term. As it is expected that the adoption of digital technologies will continue to be driven not only by social distancing but also by the need to lower overall healthcare costs, the future will require reimagining business models by embracing innovation⁶². To achieve this, European SMEs with operations along the health and pharma value chain that are planning to expand to the international markets should consider innovative approaches to leverage their technology and services to seize new business opportunities and collaborations in the future. In this sense, forging partnerships in regions with strong clusters of clients and potential business partners is crucial, particularly having in mind the current pace of transformation within the health and pharma sector. Support in realising partnerships abroad is particularly important among highly innovative SMEs from the health and pharma sector, as more than 95% of surveyed EIC beneficiaries with operations related to this sector expressed their interest in participating in trade fairs to support their internationalisation activities. In response to this need, the European Commission supports the EIC beneficiaries from the health and pharma sector by facilitating their access to key international trade fairs in the USA, China, and the Middle East.

United States

With projected total spending on health rising to EUR 5.2 trillion in 2028, the US health care market is the largest in the world in terms of purchasing power, demand, and opportunity for innovation⁶³. The United

⁵⁷ <https://www.who.int/china/news/feature-stories/detail/covid-19-and-digital-health-what-can-digital-health-offer-for-covid-19>

⁵⁸ <https://www.cbinsights.com/research/report/healthcare-trends-q1-2021/>

⁵⁹ <https://www.pwc.com/gx/en/industries/healthcare/publications/assets/pwc-new-health-economy.pdf>

⁶⁰ <https://www.mckinsey.com/industries/pharmaceuticals-and-medical-products/our-insights/healthtech-in-the-fast-lane-what-is-fueling-investor-excitement>

⁶¹ <https://www2.deloitte.com/us/en/insights/industry/life-sciences/pharmaceutical-industry-trends.html>

⁶² <https://www.globenewswire.com/fr/news-release/2020/04/14/2015616/0/en/Telemedicine-Market-demand-to-reach-USD-175-Bn-by-2026-Global-Market-Insights-Inc.html>

⁶³ <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/us-healthcare-spending-to-hit-6-2-trillion-by-2028-growth-set-to-outpace-gdp-57739003>

States is also the largest global market for biopharmaceuticals, accounting for around a third of the overall global market, and is the world leader in biopharmaceutical R&D, conducting over half the world's R&D in pharmaceuticals⁶⁴. As such, the market offers huge potential, and it comes as no surprise that more than 70% of the surveyed EIC beneficiaries from the health and pharma sector selected the USA as a primary desired market for expansion outside the EU. To access a large market such as the USA and in a sector characterised with a high R&D intensity, a structured and targeted approach to collaborations is recommended. Trade fairs are essential for achieving this objective, as they foster collaboration between researchers, professionals, and industry members, providing a platform for knowledge sharing and discussion on the development and deployment of technologies. In this context, the OTF 2.0 programme will facilitate access to three trade fairs in the USA during the course of the project.

[BIO International Convention- Biotechnology and Pharmaceuticals - San Diego, US \(2022\) and Boston, US \(2023\)](#)

As the largest global non-profit biotechnology trade association representing start-ups to Fortune 500 companies, BIO hosts a portfolio of partnering conferences that bring together key players in biotechnology, offering several possibilities for collaboration, investment, business development, and licensing. BIO brings together biotechnology and pharma leaders from around the world in a programme that includes activities focused on partnering, promotion, engagement, and innovation. Consequently, the event is a unique opportunity for EIC beneficiaries to have access to the most innovative scientific minds and business leaders in the USA and around the world. The latest iteration, BIO Digital 2020, welcomed more than 7,000 participants (including 2,000 C-level attendees), 4,000 companies from 64 countries, and more than 300 research institutions. It featured 500 educational sessions and more than 26,000 scheduled meetings.⁶⁵ Finally, it should be noted that around 45% of companies attending BIO have fewer than 50 employees, and each participating company conducts an average of 16 business meetings during the fair⁶⁶.

[FIME - Health and Medical Care - Orlando, US](#)

Taking place in Florida, FIME is the annual must-attend event for manufacturers spearheading innovation in medical devices and equipment - and the distributors and buyers looking to expand into new verticals and markets. The show provides a strong business platform to over 1,000 exhibitors from more than 40 countries, including country pavilions, to showcase cutting-edge device innovations and solutions. The event also hosts several multidisciplinary educational business conferences focused on medical devices and health. FIME estimates that the total value of business generated during the FIME 2019 event was EUR 128 million, with the largest representation of visitors coming from the USA and Canada (47%), South America (27%), Central America and the Caribbean (16%) and Mexico (7%)⁶⁷. FIME therefore represents an excellent opportunity for EIC beneficiaries to expand their business overseas, especially taking in account that the vast majority of the visitors are distributors (60%) and hospital executives (30%).

China

The rapid transformation and development of China's economy has allowed the country to shift from a manufacturing base to a strategic R&I hub. As a result, throughout the past years, China has also positioned itself on the global health and pharma market as one of the leaders, not only in terms of manufacturing and demand, but also in R&I. By fostering telehealth, mobile technologies, and other digital advances, China's healthcare market is poised for growth⁶⁸. Moreover, high-end and technology-heavy medical devices are primarily imported, while domestic products dominate the low to mid-market segments⁶⁹. Similarly, the pharma sector in China has been rapidly developing at a consistent annual growth rate of around 4% in the last three years, currently standing at an 11% share of the global market⁷⁰. As a result,

⁶⁴ <https://www.selectusa.gov/pharmaceutical-and-biotech-industries-united-states>

⁶⁵ <https://www.bio.org/events/bio-digital>

⁶⁶ <https://www.bio.org/events/bio-digital/announcements/bio-digital-week-numbers>

⁶⁷ Based on the data from GRS Explori Survey, as of June 28, 2019.

⁶⁸ <https://www.biospectrumasia.com/news/83/16508/scmps-china-healthcare-report-reveals-worlds-second-largest-healthcare-market.html>

⁶⁹ <https://www.trade.gov/country-commercial-guides/china-healthcare>

⁷⁰ https://www.bpi.de/fileadmin/user_upload/Downloads/Publikationen/Pharma-Daten/Pharma-Daten_2020_DE.pdf

China presents several opportunities to EIC beneficiaries in many healthcare and pharma sub-sectors. And as face-to-face contact and understanding the local culture for building business relationships on the Chinese market are so important to European companies' chances of success, trade fairs in the health and pharma sector are particularly important for expanding this growing market. Recognising the market potential and importance of understanding the country and culture context, OTF 2.0 offers opportunity to participate in the China International Medical Equipment Fair and China MED.

[The China International Medical Equipment Fair \(CMEF\) - Health and Medical Care - Shenzhen, China](#)

CMEF, a medical equipment exhibition, brings together international medical equipment brands to connect with globally licensed medical equipment distributors, resellers, manufacturers, doctors, regulators, and government agencies⁷¹. As such, it provides an excellent opportunity to encourage transnational partnerships and foreign investments to advance China's healthcare sector and its economic growth. With representatives of both medical and health institutions and commercial industries, CMEF 2020 involved more than 4,000 exhibitors, hosted in 20 international pavilions and 60 forums, and welcomed more than 100,000 professional visitors.

[CHINA MED - Health and Medical Care - Beijing, China](#)

As one of the most influential exhibitions in the Chinese medical instruments and equipment industry, CHINA MED is co-organised by the Health Department of the General Logistics Department of the Chinese People's Liberation Army, and the China World Trade Centre. The trade fair covers a wide set of topics related to the health sector ranging from medical imaging equipment and therapeutic devices and rehabilitation equipment to medical information technology and software. In this sense, it provides several networking, partnering and education opportunities, especially considering that in 2019 already, the event hosted 44 professional academic conferences, and was attended by 34,000 professional visitors from 40 countries and regions, more than 500 top domestic and foreign experts and academic leaders, and more than 12,000 professional audiences⁷².

Middle East

Spending on healthcare in the Middle East continues to grow, with current healthcare expenditure projected to reach EUR 88 billion in 2022⁷³. In parallel, various national transformation plans and policy programmes such as the UAE Vision 2021 and the Saudi Vision 2030 have been recently deployed, outlining government commitment to the modernisation of the sector and investment in infrastructure. The attractiveness of the region is expected to grow further in the future, creating additional capacity for already growing health and pharma markets⁷⁴. As is the case with the USA and China, understanding this growing market and establishing long-lasting partnerships with local organisations are key first steps in business expansion. To support EIC beneficiaries from the health and pharma sector in their efforts of expansion to markets in the Middle East region, OTF 2.0 will provide access to Arab Health in 2022.

[Arab Health - Health and Medical Care - Dubai, UAE](#)

Arab Health is organised annually in Dubai, attracting top healthcare professionals, manufacturers, and service providers. It allows exhibitors to stay current with the latest trends and advancements, as well as to understand the competitive market in one of the fastest-growing health and medical locations. Arab Health offers numerous workshops, fruitful roundtable discussions, keynote speeches from industry leaders and pioneering thinkers – all of which can help European SMEs, start-ups and scale-ups to grow in today's evolving innovative ecosystem. With 30 country pavilions and partners from industry, academia and government, Arab Health covers a wide range of product categories, including medical equipment and

⁷¹ <https://www.cmef.com.cn/en/Information?cid=2>

⁷² <http://www.chinamed.net.cn/expo/index?lang=en>

⁷³ https://www.arabhealthonline.com/content/dam/Informa/arabhealthonline/en/downloads/AH19_INDUSTRY_OVERVIEW_v3.pdf

⁷⁴ <https://www.arabhealthonline.com/en/visit/healthcare-general-services-gcc.html>

devices, disposables and consumer goods, orthopaedics, physiotherapy, imagining and diagnostics, healthcare and general services, IT systems and solutions, healthcare infrastructure and assets, wellness, and prevention. Arab Health is also the largest gathering of healthcare and trade professionals in the MENA region, with more than 1,500 exhibiting companies from 62 countries projected for the event that will next take place in January 2022⁷⁵.

⁷⁵ <https://www.arabhealthonline.com/en/Home.html>

Case Study: Environment and Clean Technology

Overview

The pressing challenge of addressing the climate challenge through responsible consumption and production has been made even more difficult by the COVID-19 pandemic, which has understandably taken most of the world's attention since the beginning of 2020. In a way, the pandemic has underscored the interconnectedness of countries and the importance of resilience to cope with unexpected emergencies and disaster response. In this context, major shifts and disruptions in the global economy caused by the pandemic have led businesses from various industries worldwide to rethink their business models and supply chains, and to focus on strengthening resilience by improving the adaptive capacity towards environmental and social risks. Moreover, the pandemic has, as never seen before, accelerated the importance of environmental, social, and governance considerations for both consumers and investors⁷⁶. Considering these shifts, together with digitalisation trends and the efforts of governments around the globe to accelerate the transition to a sustainable economy, projections for the overall trend of uptake of environmental technology have tilted towards "optimistic" beyond 2021, following the period of initial disruption and crisis.

With that in mind, there are several possibilities for EIC beneficiaries on this EUR 1 trillion environment and clean technology global market, in which SMEs account for 99% of the industry, but only about 29% of the total revenue generated by the private sector⁷⁷. As an example, the global market for Clean Energy Technologies alone – which is estimated at EUR 238.2 billion in the year 2020 - is projected to reach EUR 380 billion by 2027, growing at a CAGR of 6.9% over the period⁷⁸. To seize the opportunities arising from the expected growth in demand for resource efficiency, more than 90% of the surveyed EIC beneficiaries with operations related to environment and clean tech are considering either expansion to international markets or increasing their existing activities in these markets.

However, interviews with EIC beneficiaries suggest that although the EU's environmental technology and services sectors are globally recognised for their excellence in innovation, engineering, and durability, they also face a variety of challenges in the international market. As reported, some of the major challenges to successful internationalisation in the environment and clean technology sector include adhering to local standards, regulation, and certification, identifying the right overseas partners and distributors, and understanding specific market considerations. To address some of these challenges, trade fairs provide an important platform for determining market potential, development of commercial strategies and opportunities, and initiating joint ventures and project partnerships. It is therefore no surprise that almost 95% of surveyed EIC beneficiaries in the environment and clean technology sector expressed the need for participation in trade fairs to support their internationalisation activities, with almost a half of them expressing a high or very high need for support in this area. To address these needs and recognising the growth potential of the global market in the environment and clean technology sector, the European Commission supports the EIC beneficiaries by facilitating the access of EIC-funded SMEs/Start-ups/Scaleups to key international trade fairs in China and Southeast Asia as a part of the Overseas Trade Fairs programme 2.0.

⁷⁶ https://www.bain.com/globalassets/noindex/2021/bain_report_global_m_and_a_report_2021.pdf

⁷⁷ <https://www.selectusa.gov/environmental-technology-industry-united-states>

⁷⁸ https://www.selectusa.gov/environmental-technology-industry-united-states/www.reportlinker.com/p05817952/Global-Clean-Energy-Technologies-Industry.html?utm_source=GNW

China

China's market for environmental technologies is one of the fastest-growing emerging markets in the world. Valued at EUR 65 billion in 2019, it is considered unmatched in its scope and expected growth⁷⁹. Looking at the new 14th Five Year Plan, China's development philosophy for the period 2021-2026 will emphasise innovation, coordination, environmental protection, openness and sharing⁸⁰. With that in mind, China continues to provide many opportunities for European companies along different segments of the environmental and clean technology sector, such as:

- Air quality control: with air pollution one of the most pressing issues in China, demand has been rising for technologies and services that provide ambient and industry air quality monitoring, as well as support for reduction of power plant and mobile source emissions.
- Waste management: rapid urbanisation and industrial development in China has led to growth in all types of waste. As a result, the demand for technologies and solutions improving waste management is growing, especially for the technologies and services that relate to municipal solid waste and waste-to-energy processes, recycling of electronics, management of hazardous waste, scrap, and recyclables.
- Renewable energy: As reported by Fitch Ratings, China's power consumption exceeded pre-Covid-19 levels by the first quarter of 2021, with the expectation that renewable energy will continue to drive power installation and investment in 2021, given China's announced aims to achieve carbon neutrality⁸¹.

To address these market opportunities in China and beyond, companies from the environment and clean tech sector worldwide see trade fairs as useful vehicles to address the main challenges in accessing China's market, such as the complex IPR environment, cultural barriers, price sensitivity and identification of right business partners. The OTF 2.0 programme will support selected EIC-funded SMEs, start-ups, and scale-ups from the EU Member States and associated countries to have access to one of the biggest global trade fairs related to environmental and clean technology, IE expo, that will take place in China from 20 to 22 April 2022.

[IE expo - Environment and Energy - Shanghai, China](#)

IE expo is one of the leading Environmental Technology Exhibition and Conference events in Asia. It offers effective business and networking opportunities for international professionals in the environmental sector and is accompanied by a tech conference programme. In 2020 alone, more than 2000 exhibitors from 58 countries and over 70,000 visitors attended the trade fair and utilised its platform for environmental industry professionals to develop business, exchange ideas and network. The main focus areas of the fair include water and sewage treatment, waste management, site remediation, and air pollution control and air purification. With such a diverse span of topics, IE expo China offers great opportunities for key environmental players from Europe to exchange ideas and develop their business in Asia⁸².

ASEAN region

With more than 650 million people, the ASEAN region has achieved remarkable economic growth in the past decade. Despite this growth occurring at a different pace, with widely different economic profiles among the ASEAN countries, the region's overall demand for energy and other natural resources has skyrocketed, while the trend of massive urbanisation accelerates across the region. Consequently, ASEAN is confronted with environmental degradation and the growing need for solutions to ensure more sustainable economic growth. However, the environmental goods and services industry in most ASEAN

⁷⁹ <https://www.trade.gov/sites/default/files/2020-05/2019%20Environmental%20Technologies%20Top%20Markets%20Report.pdf>

⁸⁰ <https://assets.kpmg/content/dam/kpmg/cn/pdf/en/2021/01/14th-five-year-plan-industry-impact-outlook.pdf>

⁸¹ <https://www.fitchratings.com/research/corporate-finance/china-power-demand-exceeds-pre-pandemic-levels-renewables-to-drive-development-25-05-2021>

⁸² <https://messe-muenchen.de/en/technical/events/ie-expo-china-2021.php>

countries is often assessed as immature. The region faces increasing challenges across all environmental sectors, with domestic industry often unable to meet the technological demands posed by these challenges, particularly due to weak technical capacity for the implementation of complex environmental technologies, and poor asset management in the public sector⁸³. This opens several opportunities for EU companies, especially given that ASEAN countries are expected to witness a sharp V-shaped recovery throughout 2021, with Vietnam leading the way⁸⁴. This promising trend can also be seen through a recent initiative to improve renewable energy capacity and revive the pandemic-hit economies. ASEAN governments have laid out an aspirational five-year sustainability plan under the second phase of the ASEAN Plan of Action for Energy Cooperation (APAEC) 2021-2025. Under this, ASEAN energy ministers agreed to set targets of achieving a 23% share of renewable energy in the total primary energy supply in the region; and 35% in ASEAN-installed power capacity by 2025⁸⁵. Through the OTF 2.0 programme, selected EIC-funded SMEs, start-ups, and scale-ups from the EU Member States and associated countries will have access to one of the largest global trade fairs in the environment and clean tech sector, Asia Water Expo, which will take place from 29 to 31 March 2022.

Asia Water Expo - Water Industry, Kuala Lumpur, Malaysia

With more than 2000 attendees, 1000 exhibitors and 60 speakers annually, Asia Water Expo is the most comprehensive international water and wastewater event for the ASEAN region. It showcases solutions in the fields of water management, sewerage, industrial wastewater, purification, irrigation, and water resources management, as well as the latest technology from around the globe. Attendees, incorporating both buyers and sellers come from all segments of the water and wastewater industry⁸⁶. As such, Asia Water provides opportunities for EIC beneficiaries in the environment and cleantech sector, connecting on average over 17,000 live and 5,000 online visiting industry professionals from 65 countries⁸⁷.

⁸³ <https://www.trade.gov/sites/default/files/2020-05/2019%20Environmental%20Technologies%20Top%20Markets%20Report.pdf>

⁸⁴ <https://www.globaldata.com/asean-economies-poised-robust-recovery-6-real-gdp-growth-2021-says-globaldata/>

⁸⁵ <https://www.power-technology.com/comment/south-east-asia-renewable-energy/>

⁸⁶ https://www.asiawater.org/wp-content/uploads/2019/01/AW22-A5-Brochure-horizontal_v13-compressed-1.pdf

⁸⁷ <https://www.asiawater.org/about-us/>

