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Mode 5 services: Exploratory research with businesses and trade bodies

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Mode 5 services: Exploratory research with businesses and trade bodies

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Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

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Glossary

Acronym/Key word

GATS

WTO

Definition

General Agreement on Trade in Services

World Trade Organisation

1. Introduction/Background

Mode 5 services Context

- 1.1 Trade in Services is regulated at World Trade Organisation (WTO) level by the General Agreement on Trade in Services (GATS).¹ The key concern with Trade in Services relates to the intangibility of services (services do not physically cross a border in the same way as a manufactured tangible good and cannot therefore be measured in the same way). As a result, the GATS defines a service by the method, or 'mode', it is supplied in and by the end use of the service.
- 1.2 There are currently four traditional modes of supply under the GATS. These are listed in Table 1.

Table 1: The Four Modes of Services Trade under the GATS

Mode 1:	Cross-border	Where a service is provided on a cross-border basis
Mode 2:	Consumption	Where the recipient of a services moves to the country of the service supplier to receive the service
Mode 3:	Commercial	Where the service supplier of one WTO Member establishes a commercial presence in the territory of another WTO member
Mode 4:	Presence of a natural person	Where a 'natural' person moves from one WTO member to another to provide a service

- 1.3 However, increasingly it is recognised there are aspects of services embedded within manufactured goods which cannot be measured or governed appropriately by current trade rules under the GATS. Because it constitutes an additional channel in trading services beyond the four direct modes listed in Table 1, these indirect ways of supplying services are known as 'mode 5 services'.²
- 1.4 Mode 5 services have been defined as the services content embodied in goods exports. The growing importance of these embedded services inputs which make-

¹ [World Trade Organisation, General Agreement on Trade in Services.](#)

² Titled 'The significance of services trade: Mode 5 and trade policy implications', the UK Trade Policy Observatory, based at Sussex University, have produced a [video](#) which explains direct and indirect ways of trading services internationally. The video looks at the implications for trade policy, particularly for trade agreements [Accessed 09/08/2022].

up part of manufactured goods has been described as the ‘servicification’ of manufacturing (Antimiani and Cernat 2017).³ Typical mode 5 services include design, engineering and software services that are incorporated and traded as part of manufactured products. For example, this could include selling a product which comes with an ongoing servicing contract, training services or remote diagnostic tools; or selling a car with software updates or navigation services included.

- 1.5 Because mode 5 is not currently recognised by the WTO’s international rules covering trade in services (i.e., the GATS), it is not formally recognised in free trade agreements; although its enabling actions (e.g., goods, digital services and people crossing borders for business purposes) are included in free trade agreements.
- 1.6 Driven by advances in technology and global supply chains, the role of mode 5 services inputs as part of manufacturing exports has increased considerably in recent years (Antimiani and Cernat 2017). However, despite growing interest, mode 5 services have been under-explored within analysis and there are key gaps in our understanding. Mode 5 services support jobs, and with the increasing contribution of services to export-supported employment are also likely to account for a growing share of trade flows (CEP 2107). This reflects the increasing ‘tradeability’ of many services and the servicification of manufacturing.⁴
- 1.7 Yet, despite the UK being one of the most services-oriented economies in the world, as there is no internationally agreed measure for mode 5 services, the contribution of services trade to the UK economy is underestimated (Borchert and Tamberi 2018). In the case of mode 5, part of the measured value of goods trade represents the indirect trade of services embedded in goods. This has implications for the design of trade policy and the negotiation of free trade agreements.
- 1.8 No published Wales-specific qualitative research was identified during the initial research scoping phase which explored businesses awareness levels of, experiences with, and views on mode 5 services trade (within context of EU Exit and other policy developments (e.g., Free Trade Agreements)). This research aims

³ Servicification is a term used to describe the processes of adding value to product offerings through services.

⁴ Rueda-Cantuche, M. J., Cernat, L., and Sousa, N., (2017). [Trade and Jobs in Europe: The Role of Mode 5 Services Exports. Trade Blog, Council on European Policies](#) [Accessed 9th August 2022].

to help address this gap. To aid the Welsh Government's understanding of the issues associated with mode 5 services, IFF Research was commissioned in April 2022 to undertake a small-scale exploratory research project with businesses and trade body organisations. This report is based on findings from qualitative interviews with a small number of businesses and trade body representatives. The research is intended to provide Welsh Government with some initial insight from the stakeholders interviewed to help inform actions and next steps in this area, including on providing appropriate support to businesses.

Aims and Objectives

- 1.9 The overall aim of the research was to better understand Welsh business awareness of, and experiences in, mode 5 services.
- 1.10 The objectives were to explore with businesses and trade body organisations:
- awareness levels around mode 5 services
 - experiences of exporting services as part of, or alongside, goods exported
 - any effects on businesses from the UK's new trading relationship with the EU around exporting mode 5 services.

Report Structure

- 1.11 The remainder of this report is structured as follows:
- **Section Two** summarises the research methodology. It explains how the research was undertaken and outlines key data considerations to bear in mind when interpreting findings.
 - **Section Three** presents the findings from interviews with business and trade body representatives, structured around the following themes:
 - Awareness of mode 5
 - Experience of dealing with mode 5
 - The importance of mode 5 to businesses
 - Challenges presented by mode 5
 - Support accessed for help with mode 5
 - Experience of sources of information about mode 5
 - **Section Four** summarises the research conclusions.

2. Methodology

- 2.1 This section provides an overview of the methodology, including the sampling and recruitment strategies, the data collection method and the analytical framework used for the research. It also outlines some key data considerations and limitations to the research.
- 2.2 To help contextualise the research and refine the research objectives, initial discussions between the Welsh Government and IFF included a focus on identifying existing mode 5 services research (for example, Borchert and Tamberi, 2018;⁵ Rueda-Cantuche, Cernat and Sousa, 2019⁶) and some developments from larger companies reported in the press.⁷

Sampling and Recruitment

Recruiting businesses to the research

- 2.3 Initially, the sampling strategy for recruiting businesses to participate in the research was based on the [Trade Survey for Wales](#) (TSW) year 3 recontact list, a list of respondents who agreed to recontact for research purposes based on their businesses survey responses.⁸
- 2.4 The TSW is a statistical ‘push to web’⁹ survey sent to 8,000 businesses with operations in Wales. Conducted by IFF Research on behalf of the Welsh

⁵ Borchert, I., and Tamberi, N., September 2018. ‘Briefing Paper 22: [The Engagement of UK Regions in Mode 5 Services Exports](#)’. UK Trade Policy Observatory [Accessed 5th September 2022].

⁶ Rueda-Cantuche, J. M., Cernat, L., and Sousa, N., 2019. ‘[Trade and jobs in Europe: The role of mode 5 service exports](#)’, *International Labour Review, International Labour Organization*, vol. 158(1), pages 115-136 [Accessed 5th September 2022].

⁷ See for example:

- Landers, P., The Wall Street Journal, June 6th 2022 ‘[Sony Aims for High-End Electric Car That Bills Extra for Entertainment](#)’. [Accessed 5th September 2022].
- Potts, G., Top Gear, June 7th 2022, ‘[The new Apple CarPlay is here to save us from carmakers’ own software](#)’. [Accessed 5th September 2022].

⁸ The recontact questions asked in the survey were “Would you be willing for Welsh Government researchers or their appointed contractors to contact you if they undertake some follow-up research on related issues? [response options: yes, no]”; and asked of those businesses who responded “yes”, “Can selection for recontact for research purposes be based on your responses to the survey? [response options: yes, no]”.

⁹ The TSW is conducted using a push-to-web approach. Sampled businesses are initially sent a bilingual (Welsh and English) postal invitation letter encouraging them to go online and complete the survey.

Government, the survey collects data focussed on improving understandings of trade flows into and out of businesses in Wales. It aims to create a better understanding of Wales' economy, including interlinkages between Welsh businesses and those in other parts of the UK and abroad. Fieldwork for the TSW year 3 ran from 13 September 2021 to 17 December 2021, collecting 2020 data from respondents.

2.5 The TSW year 3 included a question on mode 5 services. The question was routed so all businesses who answered they had made sales in goods in 2020 were asked:

“In the process of selling those goods, are there any service inputs embedded in the overall product or offered as part of the sale of the good?” [response options: “Yes”, “No”, “Not sure”].

This question was used to identify businesses potentially in scope for the research. It resulted in a list of 86 businesses who responded ‘yes’ to selling goods with embedded service input and who had also consented to recontact for research purposes within the survey. To verify their suitability for the research, these businesses were contacted via telephone and asked to respond to a recruitment ‘screener’. A copy of this screener is in the appendix (Annex A).

2.6 Businesses tend to view services and products as separate entities, and the screening process identified how the terminology around mode 5 was not widely understood by those businesses contacted. There was uncertainty amongst those businesses who responded to the screener around what was meant by the phrasing “...service inputs embedded in the overall product” within the mode 5 services TSW year 3 question. Businesses could therefore fall within the remit of mode 5 services without realising and mistakenly may have considered themselves out of scope for the research.

2.7 As a result, the pool of potential eligible participants was expanded to include businesses who operated in sectors likely to incorporate mode 5 services trade and who had agreed to recontact. These sectors are listed at Table 2: Sectors used to boost sample. From these sectors, all 31 businesses who responded to the mode 5 question and agreed to recontact were invited to complete the screener. From the list of 117 businesses (the 86 originally identified; plus, an additional 31 businesses from the expanded sampling criteria), 55 were not reached during the fieldwork period. Of the remaining 62 businesses contacted, 51 were screened out based on

their responses to the recruitment screener. This resulted in a list of 11 businesses identified within scope of the research objectives, from which two businesses agreed to and participated in the research.¹⁰

Recruiting representatives from trade organisations

- 2.8 To gain a wider overview of the issues and experiences surrounding mode 5 services, representatives from relevant trade bodies were also invited to participate in the research. The sample for recruiting trade organisations was provided by the Welsh Government, who made initial contact and passed on contact details to IFF once the respondent gave consent to be contacted. In total, 16 trade organisations (chambers of commerce and trade bodies) were invited to participate in the research. Four trade bodies participated in an interview.

¹⁰ A third businesses had agreed to participate, but later pulled out due to other commitments and was unavailable for a rescheduled interview within the fieldwork period.

Table 2: Sectors used to boost sample

Standard international trade classification and product list	
SITC 6: Other manufactured products and goods classified chiefly by material	Furniture Manufacture of cement, lime, plaster and articles of concrete, cement and plaster Glass, refractory, clay, other porcelain and ceramic, stone and abrasive products Fabricated metal products, excl. machinery and equipment and weapons & ammunition Jewellery, bijouterie and related articles Coins Musical instruments Sports goods Games and toys Medical and dental instruments and supplies Other manufactured goods
SITC 7: Machinery and transport equipment incl. repair and maintenance	Computer, electronic and optical products Electrical equipment Machinery and equipment not elsewhere classified Motor vehicles, trailers and semi-trailers Ships and boats Air and spacecraft and related machinery Other transport equipment Repair and maintenance of ships and boats Repair and maintenance of aircraft and spacecraft Rest of repair; Installation

2.9 With the aim of further boosting participation in the research, both IFF and the Welsh Government attempted to recruit businesses via trade bodies, by asking the latter for assistance in identifying businesses in scope for the research via a process of 'snowball recruitment'.¹¹ Due to time constraints and the busy schedules

¹¹ Snowball recruitment, or snowball sampling, is a recruitment technique in which research participants are asked to assist researchers in identifying other potential participants.

of the trade bodies and identified businesses, this did not lead to any further interviews.

- 2.10 The end of fieldwork was extended from 8th April 2022 to 22nd June 2022 in a bid to build this extra sample and explore the additional recruitment options through trade bodies.
- 2.11 To thank each interviewee for their time for participating in the research, a £50 donation was made in their organisation's name to the Disaster Emergency Committee's Ukraine Humanitarian Appeal, administered by IFF on behalf of Welsh Government.

Fieldwork

- 2.12 In total, six interviews were completed: two with businesses and four with trade bodies. The two businesses comprised a micro business (3-9 employees) and a small business (10-49 employees), both in the manufacturing sector. The four trade bodies supported and represented member businesses who were broadly in the manufacturing sector.
- 2.13 Businesses were offered the option to participate in the recruitment screening process and/or the interview in Welsh, and trade bodies were invited to participate in interviews in Welsh, but none requested this.
- 2.14 Semi-structured interviews were conducted via video call (Microsoft Teams). Fieldwork occurred between 30th March and 22nd June 2022. Interviews were conducted using a topic guide and lasted between 40 and 55 minutes. A slightly tailored version was used for the trade body interviews. Both guides can be seen in the appendix (Annex B and C). The topics covered at interview included unprompted and prompted understanding of mode 5, the language used around services included with products, experiences of mode 5 and any support or information accessed.
- 2.15 The topic guide was designed to facilitate a semi-structured interview. It outlined the basic structure of the interview around the key themes to be explored, but without being too restrictive. The exploratory nature of the research and the differing levels of awareness and experience of the interviewees meant it was important to have this flexibility in approach, to allow the interviewer to tailor the conversation and the themes explored at interview around interviewees' responses.

- 2.16 The interviews were audio recorded and detailed notes were taken from these recordings., This written data was added into an analysis framework in Excel, with columns reflecting the individual questions within the topic guide. Data within these columns were then analysed and findings grouped based on themes, drawing out common threads and differences to address the research objectives.
- 2.17 Anonymous verbatim comments made by participants are included in the findings section to help illustrate key points. These comments should not be interpreted as defining the views of all interviewees, but instead provide some insight into individuals views on the points identified.

Data Considerations

- 2.18 A key consideration of this data set is its small size. Due to the qualitative nature of this research, based on a small number of interviews, the findings in this report should be seen as indicative. The small number of interviews (n:6) also meant analysis by sector, size or any other subgroup was not possible.
- 2.19 Understandings of the term and concept of mode 5 services were low amongst the businesses sampled, and the level of detailed engagement with the topic was limited, although this has been identified as a key finding in itself.
- 2.20 Trade bodies reported a great deal of variation in the practices and experiences of their members in terms of trade and as a result, they caveated at interview their views were provided at a general level which could not fully capture the nuance of their members' experiences.

3. Findings

- 3.1 This section outlines the findings from the interviews outlining the main themes of awareness of mode 5, experience of it its importance to businesses, any challenges faced, and any support or information sought.

Awareness

- 3.2 The term 'mode 5 services' did not resonate with interviewees. When initially asked to give an overview of what they understood Mode 5 to be, responses suggested it was a new phrase to most:

“Not heard of it” (Small Business).

- 3.3 One trade body had heard of the phrase but did not have a strong understanding of what it meant. Whilst aware it involved some additional element to trade, this interviewee could not articulate it was to do with an included service, instead suspecting it was part of enhancing the good itself, perhaps completing it.

“The added extra that goes onto the exports in the manufacturing. So, a process that is done somewhere else, that is manufactured here, and is then sold on. Am I correct?” (Trade Body).

- 3.4 Those interviewed were however familiar with the concept behind mode 5 services and the idea of a service provision included as part of trading goods, although there was a feeling these aspects were still quite separate. Interviewees were able to give accurate examples of mode 5 services, such as the inclusion of software or ongoing maintenance once the term had been explained.
- 3.5 When asked 'How do you talk about or describe services included in your sales of goods?', the two businesses interviewees used different terms to refer to these, such as “aftersales support”, “technical support” or “service contract”. One business reported they would never use language like 'mode 5 services' because, for them, a service was not seen as a physical thing and therefore they did not see it as part of any exporting or importing.
- 3.6 While aware of included services, two trade bodies said this was not something they would be asked to support their members with. They reported their focus would be on assisting with the trading of goods, and any accompanying services were

beyond their remit. The main reason given for this was that services not bound by borders could be provided digitally, so there was less need for support. They also commented how their members did not require guidance from them on mode 5 services or had never expressed a desire for assistance, either because their members had limited awareness of mode 5 or did not feel they needed support.

3.7 Trade body interviewees also felt the experiences of their members were so varied mode 5 services were too broad for the businesses to engage with:

“The answer to that is so varied because it depends on what’s being exported, to where, and the complexity of the goods that are involved. That’s a massively wide question for an organisation like ours. We deal with two and a half thousand companies; every one of those companies will have a unique situation” (Trade Body).

3.8 One trade body interviewee commented that mode 5 services were growing, and as a result, they expected awareness among their members to grow and for mode 5 services to become a larger part of trade. This interviewee’s understanding of mode 5 services was based on future innovation and related specifically to digitisation.

“It’s evolving. It’ll keep getting bigger” (Trade Body).

Experience

3.9 One business interviewed provided services and warranties primarily in the UK, where goods would be physically serviced within the first 12 months of purchase, and had also started to offer a service alongside their goods exports; more recently, starting to offer their services to customers via a third party in America.

3.10 The other business interviewed had always provided an after-sales support service for their goods sold but tended not to service these physically due to the cost, so offered the service remotely instead. The service was originally introduced to help the business become an industry leader by being the only company to offer this provision.

3.11 Trade body interviewees reported little to no experience of engaging with mode 5 services through their members. As trade bodies, interviewees reported they tended to assist more with physical goods; however, a couple of interviewees said their

organisation may provide indirect assistance related to mode 5 services, for instance, by helping with a visa application for a software engineer to travel abroad.

Importance

- 3.12 Trade body interviewees typically found it difficult to quantify the importance of mode 5 services to their members in terms of how much turnover or profit this mode generated for businesses. Trade body interviewees however felt mode 5 services was an important, if not openly acknowledged, part of some businesses trade, both in terms of generating a regular income and also encouraging repeat business as buyers of equipment (such as machinery or technical products) are reliant on after-sale support. As such, trade body interviewees felt there was an opportunity for businesses to profit from providing mode 5 services, and also described how not providing this may cost the customer's confidence in the product.
- 3.13 When asked 'How important are mode 5 services to your business in terms of value and turnover?' one business and one trade body commented that mode 5 services were an essential part of the business model. Although difficult to quantify, they felt the proportion of sales derived from the embedded service element was fairly small. It was, however, still extremely important. The reputational value of embedded services was viewed as vital, and without it, this business felt they would only sell considerably less goods.
- “Without this [Mode 5] service we would only sell about half the amount of machines. This enhances our reputation”
(Small business).
- 3.14 The other business interviewed thought mode 5 services had strong impacts on their business. For instance, without the perceived 'complete package' having embedded services offered to the customer, they felt these customers would explore cheaper competitors, which was a factor motivating their desire to grow the business by offering the services alongside both exported goods and those sold within the UK.
- 3.15 One business felt mode 5 services were very important in maintaining a good level of turnover. This view was shared by a trade body interviewee, who expanded on their point by adding how mode 5 services practice is likely to be very important

moving forwards for businesses despite low awareness of the term, particularly in an increasingly digital age.

“I just see it’s a huge opportunity for them because people will continue to need support and guidance, regardless of whether you want a service or a product; people rely on the fact that they’re still connected to the provider” (Trade Body).

Challenges

- 3.16 The two businesses interviewed were asked if the EU transition or any other factors had impacted on their mode 5 services trade. In response, these businesses did not report any noticeable changes to mode 5 services exports in reaction to recent changes to the exporting landscape. For one of the businesses interviewed, this was because the mode 5 services provision was very new to them; and for the other, it was an integral part of their business model they would never change. Similarly, when trade body interviewees were asked if the EU transition had impacted mode 5 trade, they reported no noticeable changes.
- 3.17 Trade body interviewees described several developments in recent years which had impacted upon businesses, but they were unsure on the extent to which these related to mode 5 specifically, if at all. The changes mentioned in this context included:
- EU Exit: one trade body interviewee said that changes to EU regulations post-EU exit had impacted the level of qualifications software engineers require, and the equipment they can take to the EU.
 - Coronavirus: for example, needing to use Zoom, rendering some of those follow-up services less personal.
 - Sanctions in Russia
 - ‘Relaxed’ intellectual property copyright laws in China.

Support

- 3.18 Little to no support related to mode 5 services had been sought by either the businesses or trade bodies interviewed. Interviewees became aware of the term ‘mode 5 services’ through this research and therefore felt there should be more

publicisation and clarification of the term. In particular, interviewees felt this was needed at a business level rather than solely through policy or academia. When probed further, interviewees stated they would like a point of reference for businesses around mode 5 services but would prefer tangible help with the processes rather than too much of a focus on semantics or theory.

“There is obviously a general lack of promotion of Welsh business – [giving] better support to us rather than introducing the terminology ‘mode 5’ is what we need. [We appreciate] that there's the Welsh Government, Business Wales and Department for International Trade, who are all great, but business don't know who to approach for specific queries” (Trade Body).

Information

- 3.19 When asked at interview, ‘have you sought any information to do with Mode 5 services (that is, exporting services as part of a good)?’, one business had searched online after reading a news article and reported finding dense, overcomplicated information. One trade body interviewee found a 19-page document about mode 5 services on the EU commission website; and while they found it extremely useful, because they had no prior knowledge, the document was also felt to be extremely complicated. This trade body interviewee suggested having more digestible information, to better communicate mode 5 services to businesses, would be helpful.

4. Conclusions

Low awareness and limited understanding of the term mode 5 services and associated language

- 4.1 Almost all interviewees had not heard of the term 'mode 5 services' when first asked at interview. When given the definition however, both trade body and business interviewees were familiar with the idea of service provision included as part of exporting goods. The form of mode 5 services most discussed by interviewees was customer service and maintenance', which was not considered part of the original transaction, even if part of a warranty. Trade body interviewees tended to have better awareness of mode 5 services but had not spoken to their members about it. Using trade bodies could be a way of increasing awareness and understanding of mode 5 services among businesses.

Mode 5 is important and could become increasingly so

- 4.2 While hard to quantify the financial impact of mode 5 and its relevance to businesses from this research, interviewees felt it had an important part to play in trade. One business also explained how mode 5 services offered value for them beyond financial profit. Through offering ongoing support following the sale of goods, mode 5 services were considered vital for securing repeat custom and instilling customer faith in their business.

Exporting goods and exporting services are considered two distinct forms of trading

- 4.3 Findings from this research showed a lack understanding amongst businesses around what mode 5 services encompass. This was evidenced both by the two businesses who took part in an interview for this research, and by the numerous businesses spoken to during the screening phase, the majority of whom did not perceive themselves as offering any such services. Exporting goods and exporting services were largely considered by both trade body and business interviewees to be two separate forms of trading.

Information on mode 5 services is not reaching smaller Welsh businesses

- 4.4 The trade bodies interviewed showed greater awareness of mode 5 services than businesses. These interviewees pointed to the existence of both the academic work on it and press releases on the topic from larger companies. However, interview data collected from both the trade body and business interviews showed this awareness and engagement is yet to reach smaller businesses in Wales.
- 4.5 Given the growing relevance of mode 5 services however, there was a perception amongst interviewees that information on the topic would disseminate soon. Though for this to happen, and specifically for smaller businesses to engage with mode 5 and understand its relevance to them, interviewees also felt several things were necessary. This included clearer communications around what mode 5 services are alongside concise definitions and specific examples.

There is an appetite for more awareness raising and support

- 4.6 As a result of their lack of awareness, neither business nor trade body interviewees had sought further information or support on mode 5 services. Interviewees were however curious to learn more and find out what support could be available for businesses. Interviewees stated a preference for more concise definitions of mode 5 services and examples aimed at helping businesses explore how it may be relevant to them.

Improving the evidence base

- 4.7 Any future research in this area would be strengthened by gathering data from a larger sample of businesses on their experiences and perceptions around exporting mode 5 services. Simplifying some of the language around mode 5 services to be clearer in lay terms could help with research recruitment. Recruiting businesses for mode 5 services research through trade bodies over a longer period of time (e.g., through snowball recruitment) could also be explored in more detail.
- 4.8 Based on feedback from policy colleagues and informal discussion with businesses, larger companies in Wales are using mode 5 services, but were unavailable to take part in this research. Their insight would be useful in any future research. Once awareness amongst businesses increases, identifying and recruiting relevant businesses to participate in research on mode 5 services may become easier.

Reference section

Antimiani, A., and Cernat, L., (2017). Liberalising Global Trade in Mode 5 Services: How much is it worth? No 2017-4. Notes from Directorate General for Trade, European Commission.

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Rueda-Cantucho, J. M., and Cernat, L., (2019) Trade and Jobs in Europe: The Role of Mode 5 services Exports, International Labour Review, International Labour Organisation, vol. 158(1), pp. 115-136.

Annex A – Mode 5 Screener

Screener

S1 Good morning / afternoon. My name is NAME and I'm calling from IFF Research on behalf of the Welsh Government

Please can I speak to [NAME FROM SAMPLE]?

IF NECESSARY: We're calling about a study building on research from the Trade Survey for Wales conducted by Welsh Government where we are seeking to improve our understanding of trade flows into and out of businesses located in Wales. As part of this research, we are looking to speak to relevant trade bodies such as NAME OF TRADE BODY

I understand the policy team for the Welsh Government have been in touch about this research and they passed on your details as somebody who may be willing to help.

Continue	1	CONTINUE
Refusal	2	THANK AND CLOSE

IF TRANSFERRED

S2 Good morning / afternoon, my name is [NAME], calling from IFF Research, an independent research company. We're conducting some research on behalf of the Welsh Government.

I understand the policy team for the Welsh Government have been in touch about this research and they passed on your details as somebody who may be willing to help.

IF NECESSARY: This research is building on the Trade Survey for Wales, a survey conducted by Welsh Government. It is designed to improve our understanding of trade flows into and out of businesses located in Wales. It aims to create a better understanding of the Welsh economy, including interlinkages between Welsh businesses and those in other parts of the UK and abroad.

The Welsh Government are keen to conduct some research to learn more about the experiences of businesses in trading services content embodied in goods exports. The types of services we're interested in include design, engineering and software services that are incorporated and traded as part of manufactured products. For example, this could include selling a product which comes with an ongoing servicing contract, training services or remote diagnostic tools; or selling a car with software updates or navigation services included.

Would you be able to talk to us about trade of this nature in Wales and how it affects some of your members?

Yes	1	CONTINUE
No	2	THANK AND CLOSE

ASK ALL

S3 We are also keen to speak to business who export products of this nature. Do you know any of your members who engage in this sort of trade?

IF YES

S4 Would you be willing to introduce us to them or share our details and ask them to contact us?

Yes	1	GIVE THEM [IFF named contact email address] AS A CONTACT TO REACH OR BE COPIED INTO AN INTRODUCTORY EMAIL
No	2	ASK IF THEY COULD SHARE THE BUSINESS NAME SO THAT WE CAN CONTACT THEM VIA PUBLICLY AVAILABLE INFORMATION

S5 We would really appreciate getting feedback from you to understand the context and experience of trading these types of products and build an evidence base to offer greater support moving forwards.

The research would involve taking part in a 30-minute interview by video call or telephone based on your preference. As a thank you for taking part, we will compensate you for your time with £50 sent on your behalf to DEC's Humanitarian Appeal for Ukraine

All information collected will be treated in the strictest confidence, in accordance with the Market Research Society Code of Conduct. Your responses will not be linked back to you.

ASK ALL

Based on this information, are you willing to take part?

Continue	1	CONTINUE TO SURVEY
Referred to someone else at establishment NAME _____ JOB TITLE _____	2	TRANSFER AND RE-INTRODUCE
Hard appointment	3	MAKE APPOINTMENT
Soft appointment	4	
Refusal	5	THANK AND CLOSE
Refusal – company policy	6	
Refusal – taken part in recent survey	7	
Not available in deadline	8	

S6 That's great. Thank you. We will be conducting interviews by Zoom, Teams or telephone between Thursday 24th March and Friday 8th April 2022. When would be a good time for one of our interviewers to call you within this timeframe?

RECRUITER: PLEASE CHECK AVAILABILITY OF INTERVIEWER BEFORE PROCEEDING

Date (Wednesday 23rd February and Tuesday 1st March 2022)	
Time (Record in 24 hour – make it during business hours 8:30 – 18:00)	
Mode	Zoom / Teams / Telephone [IF PHONE CHECK IF THIS IS BEST NUMBER]

ASK ALL

S7 **Thanks. Just in case our interviewers are unable to make that date, are there any other dates that would be convenient?**

WRITE IN OTHER SUITABLE DATES. FINE TO WRITE IN MORE GENERAL AVAILABILITY (E.G. THURSDAY MORNINGS)		
NO OTHER CONVENIENT TIME	1	CONTINUE

ASK ALL

S8 To confirm, would you like to be interviewed in Welsh?

Yes	1	LET THEM KNOW THAT WE WILL SCHEDULE THIS WITH ONE OF OUR WELSH-SPEAKING INTERVIEWERS
No	2	

ASK ALL

S9 Thank you very much. To confirm, one of IFF Research's researchers will be conducting a call with you on [DATE] at [TIME].

Could you please tell me your email address so that I can send these details over to you?

ADD IF NECESSARY: We only use your email address to send over details of your appointment. It will not be used for any other purposes or shared with any third parties.

WRITE IN		
REFUSED	1	CONTINUE

ASK ALL

THANK RESPONDENT AND CLOSE INTERVIEW

Finally, I would just like to confirm that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct. Thank you very much for your help today.
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<p>REASSURANCES TO USE IF NECESSARY</p> <p>The interview will take around 30 minutes to complete.</p> <p>Please note that all data will be reported in aggregate form and your answers will not be reported to our client in any way that would allow you to be identified.</p> <p>If respondent wishes to confirm validity of survey or get more information about aims and objectives, they can call: [MRS: Market Research Society contact details] [IFF contact details]</p>
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Annex B – Mode 5 Topic Guide - Businesses

NOTE TO INTERVIEWER: Ask all questions unless otherwise specified.

Background (2-3 minutes)

<ul style="list-style-type: none"> • Interviewer and IFF introduction – thank you for agreeing to take part • Background to the research: We are conducting research on behalf of the Welsh Government to investigate how businesses understand, and may use, Mode 5; and to explore how Mode 5 impacts businesses. • MRS Code of Conduct and Confidentiality: IFF Research is an independent market research company, operating under the strict guidelines of the Market Research Society’s Code of Conduct. This means that anything you tell us will be treated in the strictest confidence, and none of your answers will be attributed to you unless you give explicit permission for us to do so. • Participation is voluntary – there are no right or wrong answers • Data use: The answers you provide will be analysed by the IFF research team and used to better understand how Mode 5 currently exists and the extent to which Mode 5 impacts businesses. • Permission to record: We like to record all interviews of this nature so we don’t have to take a lot of notes and also to accurately capture our discussion – the recording will only be used for analysis purposes. The recordings will be securely stored in folders that only the IFF research team will have access to. All recordings will be deleted at the end of the research. <p><i>Ask whether participant is happy to take part and for permission to start recording.</i></p> <p><i>Interviewer to read out consent statement above to gain verbal consent.</i></p> <p><i>Start recording if participant agrees to be recorded and confirm verbal consent.</i></p> <p>The interview will last around 30 minutes.</p>	<p>Process notes <i>The purpose of this section is to explain what will be covered during the discussion, explain how their answers will be used, provide assurances around anonymity and request permission to record</i></p>
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Business details (5 min)

<p>In this first section I'd like to understand a bit more about your business.</p> <p>A1. Please can you give me a brief overview of your business in terms of:</p> <ul style="list-style-type: none"> • What your business mainly does • Involvement in exporting goods and services • Any involvement in importing goods and services e.g., importing machinery that is then 'serviced' remotely from abroad e.g. forestry and agricultural equipment <p>A2. In just a few words, can you tell me about your job role? What are your main responsibilities?</p>	<p>Process notes <i>The purpose of this section is to collect key information about the provider to allow us to profile providers taking part in the research and give participants the opportunity to 'warm up' before we get to the meat of the discussion</i></p>
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Awareness of Mode 5 (10 mins)

<p>I'd like to start with a couple of questions about your understanding of Mode 5.</p> <p>B1. Could you please give me an overview of what you understand Mode 5 to be? <i>If necessary, provide definition: Mode 5 covers services aspects that are embedded within manufactured goods that cannot be governed appropriately by current trade rules. Examples include selling a product which comes with an ongoing servicing contract, training services or remote diagnostic tools; or selling a car with software updates or navigation services included</i></p> <p>B2. How familiar are you with the concept of Mode 5?</p> <p>B3. How do you talk about or describe services that are included in your sales of goods?</p> <ul style="list-style-type: none"> • How would you normally refer to these services? • What types of language do you use? • Are there any particular phrases or terminology? <p>IF NOT ALREADY MENTIONED THESE TERMS: Do you use the term servicification? Or 'embedded services'?</p>	<p>Process notes <i>The purpose of this section is to understand more about businesses' awareness of Mode 5 and the language they use around it</i></p>
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Impact of Mode 5 (10 mins)

<p>C1. How would you describe your experience of exporting services as part of a good?</p> <ul style="list-style-type: none">• Exporting? Importing?• Have you always included a service or services as part of the goods you export, or is this something you introduced?• IF SO: When did you first include services as part of the goods you export? Why did you introduce this? <p>C2. How important are Mode 5 services to your business in terms of value and turnover?</p> <p>C3. Thinking about your total export sales of [products/goods], could you tell me roughly what percentage of these sales are derived from the embedded service element, vs. the physical good itself?</p> <p>C4. Do you find that Mode 5 services have / have not impacted the trade value of your goods? Why do you say this?</p> <p>C5. Has your level of business / trade changed as a result of introducing services embedded within goods? What are the main drivers of this change?</p> <p>C6. Has your level of exports of goods with embedded services changed as a result of wider market changes e.g., digitalisation, technology advances or trade rules?</p> <ul style="list-style-type: none">• What are these changes?• What has their impact been?	<p>Process notes <i>The purpose of this section is to understand more about the key characteristics of Mode 5 and the effect it has on businesses</i></p>
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Challenges with Mode 5 (5 min)

<p>D1. Have you experienced any challenges with Mode 5 services?</p> <ul style="list-style-type: none">• Exporting? Importing?• Any specific barriers?• Have these been overcome if they have? <p>D2. Does the fact that you have services embedded in your exported goods mean that you feel you can only export to some countries and not to others?</p> <ul style="list-style-type: none">• Which countries are these?• Probe for differences in Northern Ireland and Ireland <p>D3. Has the EU transition impacted your Mode 5 trade?</p> <ul style="list-style-type: none">• How?• Has a focus on non-EU countries?• Has it meant trading more or less domestically? <p>D4. Are there any other factors that have impacted your Mode 5 trade?</p> <ul style="list-style-type: none">• Brexit?• Covid-19?• Digitalisation?• Changes to supply chains?• Anything else?	<p>Process notes <i>The purpose of this section is to gain an understanding of any challenges businesses may have faced with Mode 5</i></p>
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Thank and Close (3 min)

<p>E1. Where do you see yourself as a business in the next three years in relation to your usage of Mode 5 services?</p> <p>E2. As I believe has been mentioned to you, we are also interested in speaking to businesses involved in Mode 5 services. Would you be able to help us identify some of your members that may be willing to assist with this research?</p> <p>E3. Do you have any other thoughts on Mode 5 services that we've not discussed today?</p> <p>THANK RESPONDENT AND CLOSE INTERVIEW</p>	
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Annex C – Mode 5 Topic Guide – Trade bodies

NOTE TO INTERVIEWER: Ask all questions unless otherwise specified.
Background (2-3 minutes)

<ul style="list-style-type: none">• Interviewer and IFF introduction – thank you for agreeing to take part.• Background to the research: We are conducting research on behalf of the Welsh Government to investigate how businesses understand, and may use, Mode 5; and to explore how Mode 5 impacts businesses.• MRS Code of Conduct and Confidentiality: IFF Research is an independent market research company, operating under the strict guidelines of the Market Research Society’s Code of Conduct. This means that anything you tell us will be treated in the strictest confidence, and none of your answers will be attributed to you unless you give explicit permission for us to do so.• Participation is voluntary – there are no right or wrong answers• Data use: The answers you provide will be analysed by the IFF research team and used to better understand how Mode 5 currently exists and the extent to which Mode 5 impacts businesses.• Permission to record: We like to record all interviews of this nature so we don’t have to take a lot of notes and also to accurately capture our discussion – the recording will only be used for analysis purposes. The recordings will be securely stored in folders that only the IFF research team will have access to. All recordings will be deleted at the end of the research. <p><i>Ask whether participant is happy to take part and for permission to start recording.</i></p> <p><i>Interviewer to read out consent statement above to gain verbal consent.</i></p> <p><i>Start recording if participant agrees to be recorded and confirm verbal consent.</i></p> <p>The interview will last around 30 minutes.</p>	<p>Process notes <i>The purpose of this section is to explain what will be covered during the discussion, explain how their answers will be used, provide assurances around anonymity and request permission to record</i></p>
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Trade Body details (5 min)

<p>In this first section I'd like to understand a bit more about your organisation.</p> <p>A1. Please can you give me a brief overview of your sector in terms of:</p> <ul style="list-style-type: none"> • What your business members mainly do • Their involvement in exporting goods and services • Any involvement in importing goods and services e.g., importing machinery that is then 'serviced' remotely from abroad e.g., forestry and agricultural equipment <p>A2. In just a few words, can you tell me about your job role? What are your main responsibilities?</p>	<p>Process notes <i>The purpose of this section is to collect key information about the provider to allow us to profile providers taking part in the research and give participants the opportunity to 'warm up' before we get to the meat of the discussion.</i></p>
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Awareness of Mode 5 (10 mins)

<p>I'd like to start with a couple of questions about your understanding of Mode 5.</p> <p>B1. Could you please give me an overview of what you understand Mode 5 to be? <i>If necessary, provide definition: Mode 5 covers services aspects that are embedded within manufactured goods that cannot be governed appropriately by current trade rules. Examples include selling a product which comes with an ongoing servicing contract, training services or remote diagnostic tools; or selling a car with software updates or navigation services included</i></p> <p>B2. How familiar are you with the concept of Mode 5?</p> <p>B3. How do you talk about or describe services that are included in the sales of goods?</p> <ul style="list-style-type: none"> • How would you normally refer to these services? • What types of language do you use? • Are there any particular phrases or terminology? <p>IF NOT ALREADY MENTIONED THESE TERMS: Do you use the term servicification? Or 'embedded services'?</p>	<p>Process notes <i>The purpose of this section is to understand more about businesses' awareness of Mode 5 and the language they use around it</i></p>
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<p>C1. How would you describe the experience of exporting services as part of a good?</p> <ul style="list-style-type: none">• Exporting? Importing?• Is this a practice that businesses have always included: a service or services as part of the goods they export, or is this something more recently introduced?• IF SO: When did they first include services as part of the goods they export? Why did They introduce this? <p>C2. How important are Mode 5 services to your members in terms of value and turnover?</p> <p>C3. Do you find that Mode 5 services have / have not impacted the trade value of goods?</p> <ul style="list-style-type: none">• Why do you say this? <p>C4. Has the level of business / trade in your sector changed as a result of introducing services embedded within goods? What are the main drivers of this change?</p> <p>C5. Has the level of exports of goods with embedded services changed as a result of wider market changes e.g., digitalisation, technology advances or trade rules?</p> <ul style="list-style-type: none">• What are these changes?• What has their impact been?	<p>Process notes <i>The purpose of this section is to understand more about the key characteristics of Mode 5 and the effect it has on businesses</i></p>
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Challenges with Mode 5 (5 min)

<p>D1. Have you experienced any challenges with Mode 5 services or are you aware of businesses experiencing challenges with Mode 5?</p> <ul style="list-style-type: none">• Exporting? Importing?• Any specific barriers?• Have these been overcome if they have? <p>D2. Does having services embedded in exported goods mean that businesses feel they can only export to some countries and not to others?</p> <ul style="list-style-type: none">• Which countries are these?• Probe for differences in Northern Ireland and Ireland <p>D3. Has the EU transition impacted Mode 5 trade?</p> <ul style="list-style-type: none">• How?• Has a focus on non-EU countries?• Has it meant trading more or less domestically? <p>D4. Are there any other factors that have impacted Mode 5 trade? Brexit?</p> <ul style="list-style-type: none">• Covid-19?• Digitalisation?• Changes to supply chains?• Anything else?	
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Information and Support with Mode 5 (5 min)

<p>E1. Have you sought any information to do with Mode 5 services (that is, exporting services as part of a good)? Where did you go?</p> <p>E2. How useful was this information source?</p> <p>E3. Have you sought any support with regard to Mode 5 services?</p> <ul style="list-style-type: none">• Where did you go for this?• What sort of support were you looking for?• Were you able to access the support you hoped for?• How effective was it?	
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Thank and Close (3 min)

F1. Where do you see your sector in the next three years in relation to your usage of Mode 5 services?

F2. Do you have any other thoughts on Mode 5 services that we've not discussed today?

THANK RESPONDENT AND CLOSE INTERVIEW