



Netherlands Enterprise Agency



Rijksdienst voor Ondernemend  
Nederland

# Breaking into the UK Cyber Security Market

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# Executive summary

The cyber security industry is a growing economic sector, and attractive to companies. The UK cyber security market is no exception to this, and this report sets out some of the key areas which companies should consider as they look to break into the UK market.

The UK cyber security market has an estimated total annual revenue of £8.9 billion and over 1,400 firms providing cyber security products and services.<sup>1</sup>

The UK also ranks among the leading global cyber security powers, with its National Cyber Security Strategy, 2016 to 2021, highlighting development of its cyber security industry to be a key objective.<sup>2</sup>

In this context, five unique advantages have emerged which companies should consider as they look to break into the UK's cyber security market:



1,483 firms active in the UK providing cyber security products and services

**01 Access to Market:** Breaking into the UK market and developing a customer base.

**02 Access to Network:** Developing a network to support your company, including access to financing, regulatory insight and advice, and talent pools amongst others.

**03 Access to Finance:** Obtaining private and/or public investment targeted for companies.

**04 Access to Talent:** Finding, hiring, and retaining talent to enable growth.

**05 Ease of setup and business:** The regulations and standards which matter for you, alongside international opportunities, including the new challenges emerging from the UK's exit of the European Union.

## Executive summary

The UK is a globally competitive location for companies. This report lays out the key reasons for this, and the unique advantages which the UK holds for cyber companies. The advantages are also interlinked and support each other. For example, the access to networks in the UK can help you gain access to the market. Outlined below are the summaries of these advantages:

### Access to Market (A2M)

The UK has a large cyber security market and support for those in the market is strong. For companies accessing this market, it can be a challenge as risk appetites for new cyber products can be low with customers buying the brand rather than the product. However, the unique networks in the UK can help alleviate this challenge.

### Access to Networks (A2N)

The UK has a wide range of networks to support cyber companies. They are often locally focused and can provide support tailored to your company's location, from identifying new customers to developing your products and gaining financial backing, alongside other benefits such as regulatory advice.

### Access to Talent (A2T)

The UK is one of the easiest places in the world to find talent. There are leading universities and tech hubs across the country providing new and experienced talent. Hubs are often intertwined with the academic institutions around UK cities; and the government endorses the research and teaching of universities' cyber curriculums through schemes run by the NCSC.

### Access to Finance (A2F)

There is significant private investment in the UK which favours scale-ups. For start-ups, there are a range of unique government schemes, nationally and locally, to help start-ups mature into scale-ups. The schemes range from tax incentives through to loans dedicated to technology and cyber companies.

### Ease of Setup and Business

The UK is one of the easiest places in the world to start and run a business. Nevertheless, companies new to the UK should work to understand what really impacts them, for example national regulations and international relations between the UK and other nation states and organisations. A key aspect is the challenges and opportunities emerging from the UK's exit of the European Union and ensuring your company is abreast of them; and able to respond to them with agility. The networks unique to the UK can help with this.

## Executive summary

Following on from these themes, we have also provided a series of recommendations which should be considered by companies wanting to access the UK market. A summary of these is found below:

### No. Recommendation

- 1 Invest in, build, and use your networks:** Identify the networks in your location, tap into them, and work them to your advantage. This means investing time and effort in building your network, as the payoff can be significant.
- 2 Location, location, location:** Make sure that you are aware of the local cyber ecosystems across the UK and choose the location which has the right ecosystem for your company. This isn't about choosing where to place your office, but it's about identifying where the relevant networks, talent pools, financing opportunities etc., are for your company.
- 3 Quality not quantity:** When starting out, focus on serving and fostering a few, delighted customers rather than many satisfied customers. This will help you break into the market.
- 4 Don't forget the public sector and academia:** The UK Government has initiatives tailored for start-up and scale-up financing and talent acquisition. GCHQ and universities have programmes for technology support specifically for cyber security companies.
- 5 Know what to care about.** Companies should ensure time, cost, and effort is targeted at those areas which are critical to success. This means understanding what regulations, standards, and emerging opportunities and challenges really matter to your company, ensuring you focus on the priority items. For example, understanding how Brexit will affect your company, whilst also determining the new opportunities which the Free Trade Agreements being negotiated with Australia and the US could provide your company.
- 6 Complementor not competitor.** Large, established technology companies have substantial and entrenched market and customer ecosystems focused on their products. Their customers likely include your current or target customer base. Use that to your advantage and focus on complementing those products rather than competing against them.

# Section 1: Overview of the UK Cyber Security Sector

The UK is a global leader in cyber security, ranking 3rd in the world in 2020.<sup>3</sup> Providing this leadership is one of the pillars of the UK's National Cyber Security Strategy, the aim of which is to meet the vision of the UK, in 2021, as 'secure and resilient to cyber threats, prosperous and confident in the digital world.'<sup>4</sup>

Alongside providing international leadership, the UK's strategy focuses on three objectives:

**Defend:** *"...the means to defend the UK against evolving cyber threats, to respond effectively to incidents, to ensure UK networks, data and systems are protected and resilient. Citizens, businesses and the public sector have the knowledge and ability to defend themselves."*

**Deter:** *"The UK will be a hard target for all forms of aggression in cyberspace. We detect, understand, investigate and disrupt hostile action taken against us, pursuing and prosecuting offenders. We have the means to take offensive action in cyberspace, should we choose to do so."*

**Develop:** *"...an innovative, growing cyber security industry, underpinned by world leading scientific research and development. We have a self-sustaining pipeline of talent providing the skills to meet our national needs across the public and private sectors. Our cutting-edge analysis and expertise will enable the UK to meet and overcome future threats and challenges."*

## Section 1: Overview of the UK Cyber Security Sector

The UK Government set out a series of actions it would take to meet the objective of developing an innovative, growing cyber security industry:

*“Commercialise innovation in academia, providing training and mentoring to academics”*

*“Allocate a proportion of the £165m Defence and Cyber Innovation Fund to support innovative procurement in defence and security”*

*“Provide testing facilities for companies to develop their products, together with a fast-track form of assessment for the next generation of cyber security products and services as they emerge, enabling customers to be confident in their use”*

*“Promote agreed international standards that support access to the UK market”*

*“Establish two innovation centres, to drive the development of cutting-edge cyber products and dynamic new cyber security companies, which will sit at the heart of a programme of initiatives to give start-ups the support they need to get their first customers and attract further investment”*

*“Draw on the collective expertise of the industry-government Cyber Growth Partnership to help shape and focus further growth and innovation interventions”*

*“Help companies of all sizes scale-up and access international markets”*

**To grow the UK cyber security industry**

## Section 1: Overview of the UK Cyber Security Sector

In Autumn 2020, the UK Government published its final Progress Report against the strategy, prior to the new National Cyber Security Strategy being issued.<sup>5</sup>

The Progress Report details the achievements and the next strategic aims of the UK Government for cyber security. We have provided a summary of the achievements and encourage you to read the full Progress Report, alongside the current strategy, and to expect a new five year strategy to be published soon. Key achievements of the past year:

- The **Cyber Aware campaign** was launched to help the public and small businesses stay secure online during COVID-19. In tandem, the UK Government published new guidance on secure home working, online shopping and secure use of video conferencing.
- The **CyberFirst Bursary programme**, which aims to kick start the careers of undergraduates by training them in cyber security, now has 750 students in the scheme, with 180 to be onboarded. All 56 bursary students who graduated so far are now in full-time cyber security roles.
- The **Force Specialist Cyber Crime Units** were launched meaning all police forces in England and Wales have specialist officers in place to investigate cyber crime and provide victim support.
- Continued support of the **Global Cyber Security Capacity Centre (GCSCC)** in Oxford University and its model to assess cyber security capacity maturity. This allows nations to benchmark their cyber security capacity and set priorities for developing their cyber security capabilities. Over 80 assessments using the model have now been completed, with at least 15 completed in the last year.
- Helped **grow the UK's cyber security sector** by supporting business through accelerators. In 2019 there were approximately 1,200 firms active within the UK providing cyber security products and services, an increase of 44% since 2018.
- **UK cyber security exports** were worth £3.96 billion in 2019, representing 55% of total UK security exports (the largest single category) compared with £2.1 billion in 2018.
- 2019 was a **record year for cyber security investment**, with £348 million in fundraising across 80 deals.

## Section 1: Overview of the UK Cyber Security Sector

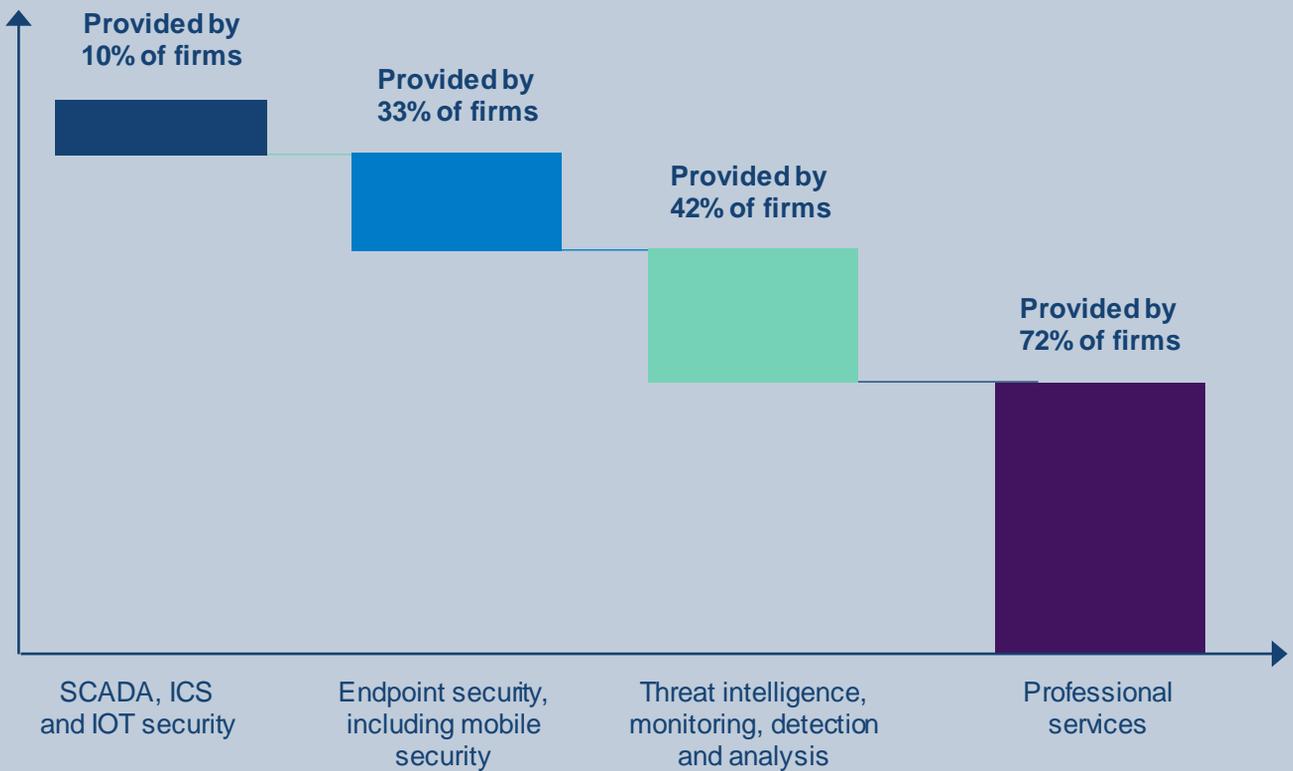
As of February 2021, the UK Government now estimates there are 1,483 firms active within the UK providing cyber security products and services, reflecting an increase of approximately 21% from 2019, with most firms being SMEs.<sup>6</sup>

It is estimated total annual revenue within the sector reached £8.9bn in FY19/20. As FY20/21 has just finished, the impact of the COVID-19 pandemic on the UK's cyber security sector has yet to be fully understood, however as shown on page 9, investment in the sector remained strong.

**1,483 firms active in the UK providing cyber security products and services**



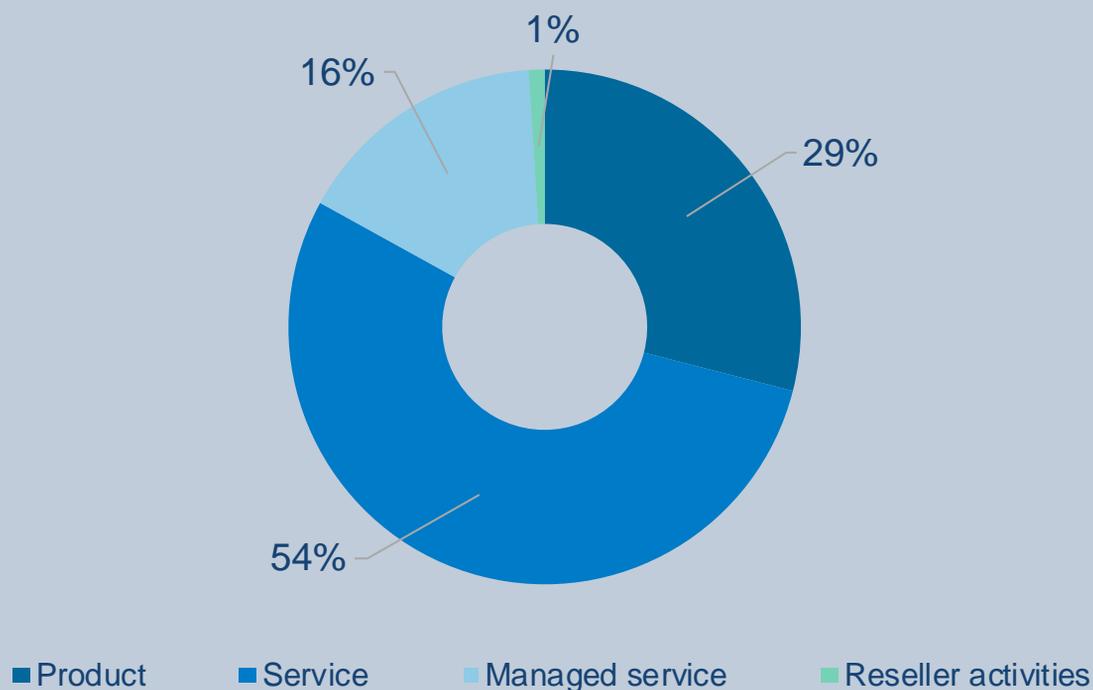
### The most commonly provided cyber security products and services.<sup>7</sup>



## Section 1: Overview of the UK Cyber Security Sector

Provision of services dominate the UK cyber security sector. When looking at the UK's cyber security firms, products make up less than a third of the main type of provision provided by UK firms, in contrast to services which make up over half.

### Main type of provision by UK cyber security firms.<sup>8</sup>



The COVID-19 pandemic has demonstrated that there is strong resilience within the sector, with the number of cyber security firms continuing to grow. 2020 was a new record year for cyber security investment, with over £967m raised across 93 deals, more than twice that raised in 2019.<sup>9</sup> Referring back to the Autumn 2020 Progress Report, 2019 itself was a record year for cyber security investment, with £348 million in fundraising across 80 deals.<sup>10</sup> Though the UK Cyber Security Sectoral Analysis 2021 indicates even stronger investment in 2019, £432m being raised.

COVID-19 has also shifted focus, driving the market towards new products in response to changes in our ways of working and threat actors. This is reflected in the UK Government's response to COVID-19 through the Cyber Aware campaign to help the public and small businesses stay secure online during COVID-19 and publishing guidance on secure home working, online shopping and secure use of video conferencing.<sup>11</sup>

### Cyber skills gap in the UK <sup>12</sup>



It is estimated there are approximately 46,700 Full Time Equivalents (FTEs) working in a cyber security related role, an estimated increase of 9% in employee jobs within the last twelve months.<sup>13</sup>

However, this is in the context of a high proportion of UK businesses still experiencing a cyber skills gap. For 2020, the UK Government estimates that:

#### Technical cyber skills gaps are pronounced in:

- Threat assessment or information risk management
- Assurance
- Audits
- Compliance or testing
- Cyber security research
- Implementing secure systems
- Governance and management

48% of UK businesses have a basic cyber skills gap. Those in charge of cyber security lack the confidence to carry out tasks laid out in the Cyber Essentials scheme and are not supported by external cyber security providers.<sup>14</sup>

Skills gaps are also common in cyber companies. 64% of cyber companies are faced with technical cyber security skills gaps. On top of this, 3 in 10 cyber companies say that job applicants are lacking non-technical skills such as communication, leadership or management skills. Companies report this has prevented them to some extent from meeting their business goals, and a similar proportion (28%) say this about their existing employees.<sup>15</sup>

## Section 1: Overview of the UK Cyber Security Sector

The UK's cyber security sector is spread nationally and not limited to London. Seven UK cities can be found in the Top 30, European Digital City Index (EDCI) 2016 for companies.<sup>16</sup> The EDCI describes how well different European cities support digital entrepreneurship, providing information about the strengths and weaknesses of local ecosystems.

Within the UK, a consistent list of cities are highlighted as the leading technology centres in the UK. The Data City (TDC) rankings place Manchester as No.1, based on digital business activity in the city-region and affordability.<sup>17</sup> TDC built an AI engine to analyse web, open and licensed data to provide real-time insights into the UK's digital and tech industry. TDC relies on real-time data rather than how businesses describe their activity when first registering, helping ensure an up-to-date analysis.

### UK cities identified in global and national tech rankings



## Section 1: Overview of the UK Cyber Security Sector

Example technology organisations and institutions across UK cities, noting the 2021, UK Cyber Sector Analysis identifies over 1,400 cyber security firms, alone, not including public institutions.<sup>18</sup>



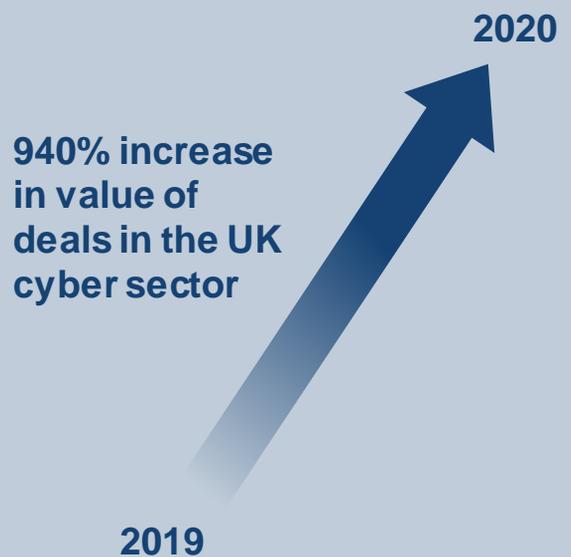
# Section 2: Access to Market

One of the key themes companies should consider is Access to Market (A2M). A2M is defined as being able to break into the targeted market sector for which the company in question is aiming.

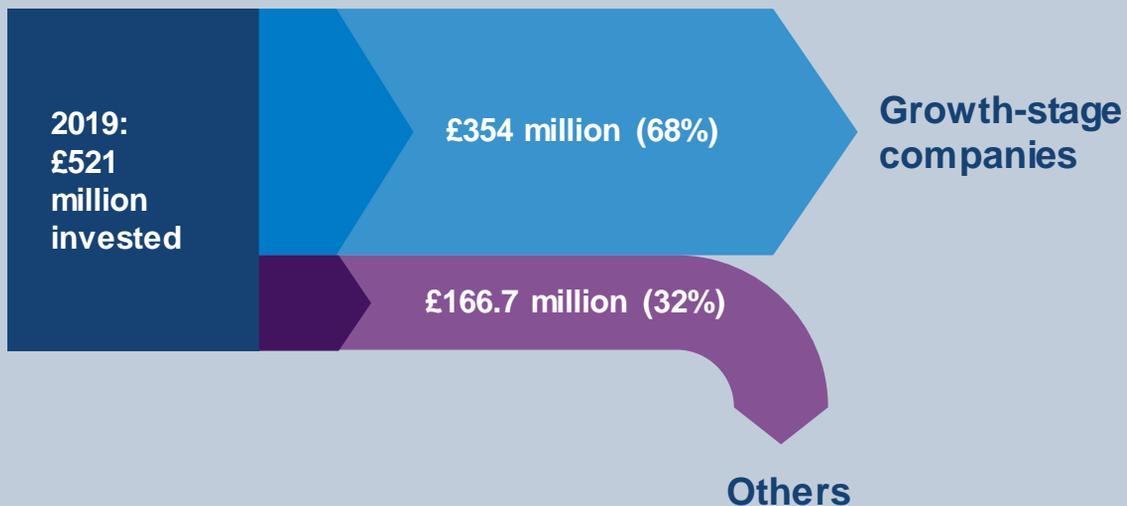
In the UK cyber security sector, the challenge of accessing the market is reflected in both funding and research carried out.

New companies can struggle to attract their first few customers and investment. This is reflected in the investment figures below.

In 2019, investment in UK cyber start-ups reached a record high of £521 million, growing by 72% year-on-year. In 2020, the year-on-year value of deals in the sector was 940% higher, for the same period, becoming the UK's fastest growing start-up sector with £496 million being raised in the first half of 2020.<sup>19</sup>



Cyber scale-ups are attracting the most investment. This pattern is even starker in 2020, with 94% of all investment going to towards growth-stage companies at one point.<sup>20</sup>



## Section 2: Access to Market

The weighting towards growth stages companies may come from the nature of the product and market. Cyber security has been one of global CEOs' key concerns for five years running.<sup>21</sup> The attention cyber security has received, alongside the national focus on cyber security as seen in the UK's establishment of the NCSC and the National Cyber Force (NCF), reflects the importance cyber security now has in the eyes of leaders.<sup>22</sup>

This focus and concern over cyber security may be dampening favour for new cyber companies. The financial figures for investment reflect this, with the majority of investments going towards growth-stage companies instead of start-ups. A key strategy which new companies should consider is to find the correct, early customers.

CyLon is a London-based, global cyber security accelerator helping cyber companies and entrepreneurs build cyber security businesses, raise investment, and develop their commercial partnerships. Since 2015, CyLon have worked with over 100 companies, collectively valued at over £600m and over 200+ entrepreneurs.<sup>23</sup> Nick Morris, CEO of CyLon, provides insight on the challenge new companies have in selling new cyber products.



“Corporates often have a much lower risk appetite when it comes to procuring ‘innovative’ cyber security products, as a result of the old truism “nobody ever got fired for buying IBM”.

*This makes it even more important for start-ups building cyber security products to really focus on their very first customers. In the early days, a smaller number of ‘delighted’ customers will often serve them much better than a larger number who are merely ‘satisfied’. Those delighted customers will act as the reference they need to open more doors as their company evolves.”*

**Nick Morris,**  
Chief Executive Officer, CyLon

## Section 2: Access to Market

Richard Hayton, Chief Strategy and Innovation Officer at the Cambridge-based cyber security company, Trustonic, reflects on the importance of relationships and trust in accessing the market.<sup>24</sup>



“*In the early days, relationships are the most important factor in your company. Start-ups and scale-ups need to keep in mind that customers buy the brand not the product. Relationships allow customers to build trust in you, your company, and your brand.*”

**Richard Hayton,**  
Chief Strategy and Innovation Officer, Trustonic

New companies appear challenged in accessing the UK cyber security market. One possible cause of this is the lower risk appetites companies and organisations have for purchasing cyber products and services from new companies which do not have a track record.

The importance of cyber security to senior leaders may be the cause of this cautiousness. A strategy to tackle this may be to use your network to identify a customer(s) who would be happy to recommend you to other would-be customers. Focus attention on that customer(s), build a trusted relationship with them and ensure they are delighted, not just satisfied; and that you can feel confident in asking them to recommend you to their networks.

# Section 3: Access to Network

The second key theme companies coming to the UK should consider is access to network. This is defined as accessing and leveraging the ecosystems which underpin the core activities of companies.

The importance of networks stems from the multiple needs which companies have including, but not limited to:



Martijn Verbree, Partner in Cyber Security at KPMG UK reflects on the importance of networks:



**Martijn Verbree,**  
Partner, Cyber Security,  
KPMG UK

“ *Start-ups and scale-up founders have myriad issues to juggle in growing their businesses. Focusing their efforts on the immediate issues and risks, which could impact their growth, often take priority. Becoming part of a network can provide start-ups and scale-ups with the insights they need in order to identify and plan for the challenges and opportunities quickly. They fast forward others' learned experiences, save time and effort, and in doing so, allow founders to work with agility.* ”

### Section 3: Access to Network

Richard Hayton, Chief Strategy and Innovation Officer, Trustonic provides another view of the importance of networks for companies:

“

*Networks allow you to easily get to grips with the ecosystem in which you're operating. For example, they can help you to identify and comprehend new regulatory requirements and standards coming from governments and from large private sector entities which shape the technology you may depend on, like Microsoft, Amazon, and Google. ”*

**Richard Hayton,**

Chief Strategy and Innovation Officer, Trustonic



Which networks are relevant for companies in the UK is influenced by their location.

The localism of networks in the UK reflects the importance of location for new companies, alongside other considerations such as market size, access to talent, financing options, cost and quality of living, etc.

As show in the case study on page 18, there are networks centred around the tech hubs of the UK, each tailored to their own local area.

# Case study: Networks in Manchester



## Finance networks:

Manchester has a number of organisations and networks dedicated to supporting resident start-ups to access finance. Examples of these organisation-hosted networks are: MIDAS, GC Investors, and TechManchester.<sup>25</sup>



## Customer networks:

There are a host of organisations with footprints in Manchester, providing a rich customer network. These range from SMEs through to global organisations such as Amazon and Booking.com. Significant public sector organisations have setup in Manchester too, notably GCHQ.



## Talent networks:

Through the varied organisations in Manchester, there is a large and growing experienced-hire talent pool. Manchester also has three universities within its boundaries and is part of the Northern Powerhouse within which there are over twenty universities.



## Technology-support network:

Manchester has a range of current and upcoming networks supporting technology development, including the Greater Manchester Cyber Foundry, the Oxford Road Corridor and, with the arrival of GCHQ, a new Digital Security Innovation Hub set to open in 2021 hosted by GCHQ to bring together companies, academia, and government to foster innovations in digital security.<sup>26</sup>



## National networks

Manchester is the hub for a number national networks and organisations, including GCHQ and Tech Nation's North West network.<sup>27</sup>

# Section 4: Access to Finance

**New companies are heavily reliant on external funding in order to survive. The UK has significant investment potential.**

In 2019, investment in UK cyber start-ups reached a record high of £521 million, growing by 72% from 2018 to 2019. In the first half of 2020, UK cyber start-ups raised £469m. £104m of this investment came during the first two months of the COVID-19 lockdown (March and April), a 940% increase from £10m for the same period in 2019.<sup>28</sup> UK Government data indicates total investment for 2020 reached £967m, almost doubling on the previous year.<sup>29</sup>



Investment favours scale-up companies. Of the £521 million invested in 2019, 68% went to growth-stage companies. A similar trend is seen in 2020.<sup>30</sup>

The trend may be the result of lower risk appetites in organisations looking to purchase cyber security products and services, due to the attention cyber security is receiving from leaders in both the public and private sector.<sup>31</sup>

Understanding financing options therefore, and how best to obtain financing, is critical for new companies.

The importance of access to networks becomes clear when considering access to finance. The ability to lean on and get support and insight from the local network will help rapidly identify financing options in addition to understanding how to best ensure success in acquiring financing.

## Section 4: Access to Finance

There are many government initiatives unique to the UK to help companies succeed. Some are accessible to companies incorporated in the UK, whilst some fund companies partnering with UK companies. Understanding which are applicable to your company is a key element in the final theme: ease of setup and business. Financing options includes but are not limited to the schemes laid out below.

### Research and Development Tax Credits



R&D tax credits to reclaim up to 33% of R&D costs in a tax refund, even if the project fails.<sup>32</sup>

### Seed Enterprise Investment Scheme (SEIS)



SEIS is targeted at new companies and designed to help them raise money, with a cap at £150,000.<sup>33</sup>

### Enterprise Investment Scheme (EIS)



EIS is targeted at maturing companies working in the same manner as SEIS but up to £5million/year with a cap at £12million.<sup>34</sup>

### Innovation Grants



UK Government innovation grants aimed at facilitating specific markets or research areas. For example, Smart Grants from Innovate UK.<sup>35</sup>

### The Patent Box



The Patent Box allows companies to apply for a lower rate of Corporation Tax for profits earned from patented inventions.<sup>36</sup>

### Small Business Research Initiative (SBRI)



SBRI provides funding for businesses creating new products and services which help meet public sector challenges.<sup>37</sup>

### British Business Bank



Start-Up Loans from the British Business Bank, thus far providing 75,000 businesses with over £600 million worth of loans.<sup>38</sup>

### New initiatives announced:

Help to Grow: Management: A new management programme to upskill 30,000 SMEs in the UK.<sup>39</sup>

Help to Grow: Digital: A new scheme to help SMEs transform the way they do business with a voucher covering up to half of the costs of approved software up to a maximum of £5,000, and free impartial advice.<sup>40</sup>



High-skilled migration: A new visa which with a 'scaleup' stream, enabling those with a job offer from a recognised UK scale-up to qualify for a fast-track visa.<sup>41</sup>

Future Fund: Breakthrough: £375 million of new direct co-investment product to support the scale-up of the most innovative, R&D-intensive businesses.<sup>42</sup>

## Section 4: Access to Finance

Below this national level of funding, there are also local funding sources and networks to support funding, for example MIDAS in Manchester which provides tailored support and insights on obtaining financing, and, but not limited to, relocating to Manchester.<sup>42</sup>

Overall, the trend for start-up and scale-up financing in the UK suggests scale-ups are the primary recipient for investment. However, there are multiple national and local level financing schemes for new companies across the UK.

The challenges and opportunities in accessing finance underpin the importance of access to market and access to networks. The right networks and markets can help companies to quickly identify and effectively respond to challenges and opportunities for finance. The nature of those financing opportunities and challenges, alongside the markets and networks, vary across the UK.

# Section 5: Access to Talent

**The cyber security skills shortage has been recognised at a global level, with possibly over half of global businesses experiencing a cyber security staff shortage which is creating organisational risk.<sup>43</sup>**

This shortage is critical for cyber companies as the availability of talent is a prerequisite for employers setting up their business in a region or country. Therefore, it is key that companies identify and understand the talent pool available to them when moving to a new location in order to help them to succeed.

UK universities rank among the best in the world, including three in the top 10 in the world with the University of Oxford and University of Cambridge taking 1<sup>st</sup> and 3<sup>rd</sup> place in 2020. The UK also has the 3<sup>rd</sup> lowest talent shortage in the world.<sup>44</sup>

The UK has strong collaborations between the public sector and academia, promoting excellence in cyber security. The UK's NCSC, a part of GCHQ, leads a programme which recognises UK universities which conduct internationally leading cyber security research, Academic Centres of Excellence in Cyber Security Research (ACE-CSR) and Centres for Doctor Training (CDT) in cyber security.<sup>45</sup>

Crucially, companies should also recognise that talent shortages in the cyber sector are not limited to technical skills. 33% of UK cyber companies reported job applicants lacking non-technical skills, such as communication, leadership or management skills has prevented them to some extent from meeting their business goals, and a similar proportion (28%) say this about their existing employees.<sup>46</sup>

**University of Oxford**

1<sup>st</sup> in the world

**University of Cambridge**

3<sup>rd</sup> in the world

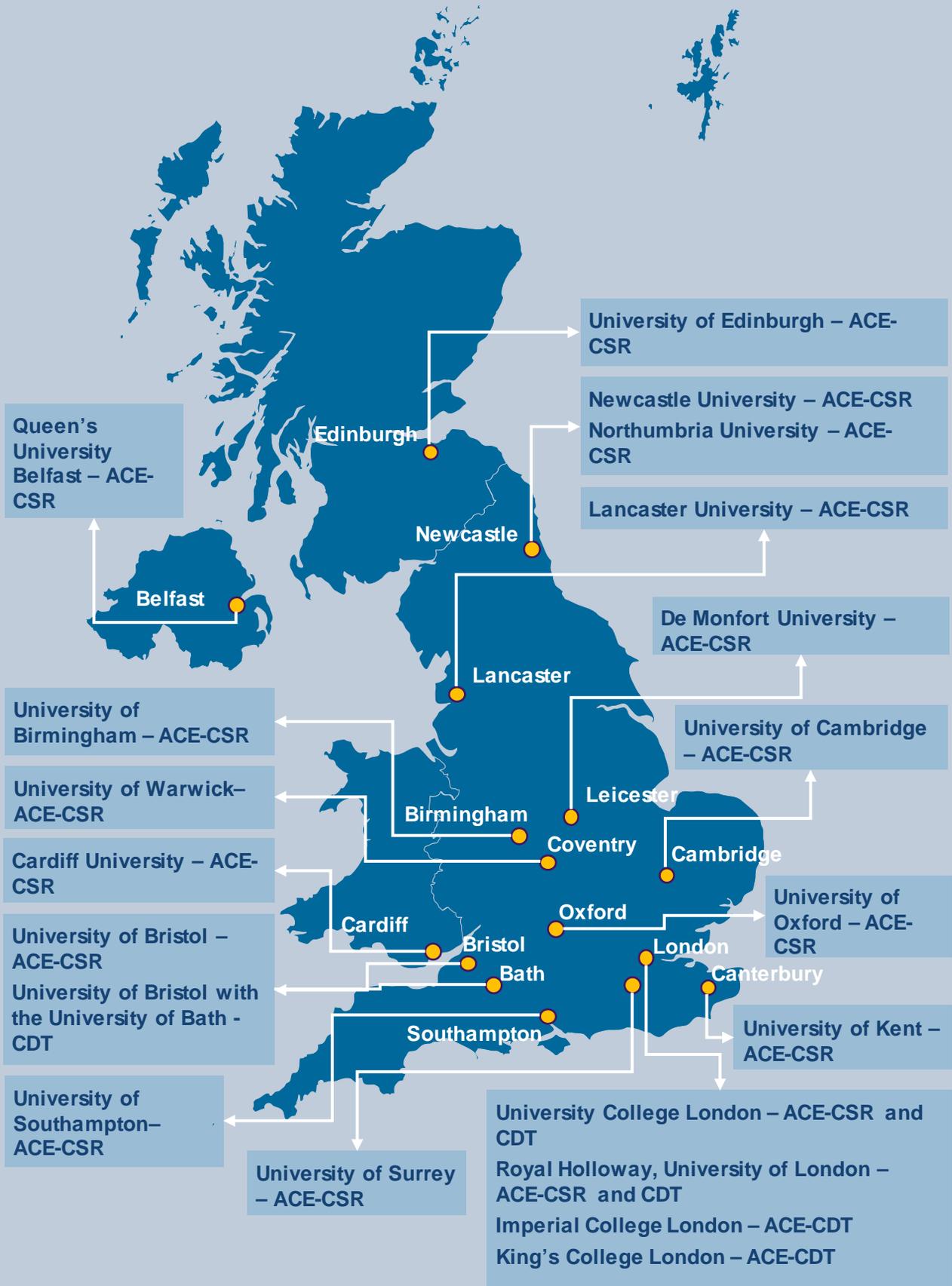
**Imperial College London**

10<sup>th</sup> in the world

**University College London**

15<sup>th</sup> in the world

ACE-CSR and/or CDT-certified universities across the UK<sup>47</sup>



## Section 5: Access to Talent

The UK's tech hubs have clusters of universities around them, with programmes promoting a flow of talent from universities to local businesses. Accessing these programmes may come with financial support for businesses taking up local talent, emphasising the importance of access to talent.

Identifying and understanding how to tap into talent pools can be facilitated with access to local networks, underscoring the importance of the access to networks and the interlinkage between access to talent and finance.

The ACE-CSR universities are often centred around tech hubs, as shown on page 23. Those which are centred around tech hubs provide companies with two key talent pools: new talent coming from universities, alongside experienced talent which is integrated into the local ecosystems.

In a similar way to accessing new talent, tapping into local, experienced talent can be supercharged by investing in, building, and then leveraging your networks allowing you to easily access experience talent pools.

# Section 6: Ease of setup and business

The ease of setting up a business, and of doing business, is key to helping new companies establish themselves in new locations. Martijn Verbree, Partner in Cyber Security at KPMG UK reflects on the importance of networks, highlighting some of the reasoning for this:



*Start-up and scale-up founders have myriad issues to juggle in growing their businesses. Focusing their efforts on the immediate issues and risks, which could impact their growth, often take priority.*



Being able to rapidly identify, understand and ensure alignment with regulatory, governance and compliance requirements is key to ensuring that new companies focus on the relevant challenges and opportunities quickly, thereby saving time and effort. Access to networks can ease this, but a welcoming regulatory environment reduces the bar which companies must jump. The UK ranks 3<sup>rd</sup> in Europe, behind Denmark and Georgia, and 8<sup>th</sup> in the world for ease of doing business.<sup>48</sup>

Whilst Brexit has caused complications for conducting business between the European Union and the UK, the impact is muted on the digital economy due its borderless nature. A crucial element in the digital relationship between the UK and EU is a data adequacy decision. At the time of writing this report the EU Commission had launched the process towards adopting two decisions on data adequacy, stating it concludes the UK ‘ensures an essentially equivalent level of protection to the one guaranteed under the General Data Protection Regulation (GDPR) and...the Law Enforcement Directive (ELD)’.<sup>49</sup> This is a promising step towards easing digital trade between the UK and EU.

## Section 6: Ease of setup and business

In tandem with the progress being made on data adequacy and law enforcement, companies should be cognisant that the Trade and Cooperating Agreement between the EU and UK did not include considerations for financial services. As of the time of publication, the EU and UK are expected to sign a memorandum of understanding (MoU) to establish the Joint UK-EU Financial Regulatory Forum, to facilitate discussions on EU-UK financial services issues.<sup>50</sup>

Looking internationally, new companies should consider the opportunities arising from Free Trade Agreements (FTAs) the UK is negotiating, such as with Australia and the US, which the EU currently does not have in place. Companies should also be aware of the FTA the UK has with countries with which the EU also has FTAs, such as Japan, and if any differences are present.

# Section 7: Recommendations

The UK has a rich cyber security ecosystem which includes key actors from the private sector, the public sector, and academia. This may prove intimidating for companies looking to establish a presence in the UK. This report lays out five themes which companies coming to the UK should consider: Access to Market, Access to Networks, Access to Finance, Access to Talent, and East of Setup and Business. From these themes there are numerous recommendations which emerge.

## No. Recommendation

### 1 Invest in, build, and use your networks.

Networks can save time, money, and effort whilst also helping you to reach new customers, sources of financing, and support for your business. Identify the networks in your location, tap into them, and work them to your advantage. This means investing time and effort in building your network, as the payoff can be significant.

### 2 Location, location, location.

The networks and talent pools which could help support your company are clustered around local areas and cities across the UK, not solely within London. Make sure you are aware of the local cyber ecosystems across the UK and choose the location which has the right ecosystem for your company. This is not about choosing where to place your office, but identifying where the relevant networks, talent pools, and financing opportunities are for your company.

### 3 Quality not quantity.

Private financing favours companies which have a customer base. Customers may not want to risk adopting cyber products from new companies which do not have a strong customer base. Your first few customers are crucial therefore, as the right ones could advocate for you and help motivate others to buy your products. When starting out, it can help to focus service on a few, delighted customers rather than many satisfied customers.

### No. Recommendation

#### **4 Lean on the public sector and academia.**

The UK Government, public sector organisations like GCHQ, and academic institutions, can provide support. The UK Government has initiatives tailored for start-up and scale-up financing and talent acquisition. GCHQ and universities have programmes for technology support specifically for cyber security companies.

#### **5 Focus on critical success factors.**

Companies should ensure time, cost, and effort is targeted at those areas which are critical to success. This means understanding what regulations, standards, and emerging opportunities and challenges really matter to your company, and ensuring you focus on the priority items. For example, understanding how Brexit will affect your company, whilst also determining the new opportunities which the Free Trade Agreements being negotiated with Australia and the US could provide.

#### **6 Complementor not competitor.**

Large, established technology companies have substantial and entrenched market and customer ecosystems focused on their products. Their customers likely include your current or target customer base. Use that to your advantage and focus on complementing those products, rather than competing against them.

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