Learn how one fifth of businesses are prospering with trade in the EU, during the uncertainty and turmoil of Brexit and the Covid-19 pandemic.

If you trade with the EU, you will know that disruption in your supply chain from changes due to Brexit and the Covid-19 pandemic can undermine your business. A few months after the end of the Brexit Transition Period on 31st December 2020, Sapio Research interviewed 500 supply chain managers to track their experiences.

We unpack the evidence of what has been for many managers, a ‘perfect storm’ for logistics, alongside an analysis of successful strategies that have shown to counter impacts and in some cases, change a company’s operations in ways that improve performance.

Disruption for supply chains was an expected consequence of the Brexit transition, and enough time has passed to assess how it has impacted on businesses and how businesses responded. Essentially, we ask, ‘what did successful businesses do differently during the upheaval?’ With further changes taking effect this year, it is time to tackle the new logistics environment head on. Adapting to these changes is the key to success.
WORSE THAN EXPECTED

In 2021, it transpires that nine out of 10 companies have experienced disruption in their ability to trade in and out of the EU with 20% experiencing significant disruption since the transition period ended. With realistically bleaker expectations to begin with, 40% of companies reported EU supply chain performance was even worse than they expected. The heavy administrative burden and exhaustive delays at ports slowed processing and trounced delivery deadlines. Businesses with ‘just-in-time’ supply chains have suffered with devastating delays.

An estimated 43% of businesses have reported the negative impact has been significant, with manufacturing and engineering companies hit the hardest.

To make a challenging trading environment even more precarious, the Covid-19 pandemic further aggravated the ability to import and export to the EU and made the necessary intensive Brexit preparation more problematic. Staff shortages, lockdowns and disarray from companies through to ports, has made the biggest change to European trade in 50 years, all the more chaotic. The Covid situation fueled disruption to supply chains, not just for Europe but globally. It took away assurances for gauging customer demand, and staff needed to be on furlough, simply for a business to survive. We can reveal that 76% of businesses have had their Brexit response disrupted by COVID-19.

The result of stresses on the EU supply chain has spawned a number of consequences – from delays in delivering/receiving goods (33%) to a loss of demand from EU customers (24%) and an increase in customer dissatisfaction (20%). Businesses also report a lack of stock for sale (19%), the need to pass on landed costs to UK customers (19%), an inability to meet orders (19%) and temporary or permanent halting of business expansion plans (17%). Whilst many businesses that were ‘hanging on’ were pushed to destruction by Brexit and the pandemic, the majority of those surviving have had to be proactive, get closer to customers, and adapt and rethink their operations, often with imaginative solutions and more reliance on online orders and services.
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PREPARATION THAT PAID OFF

Encouragingly, there is reason to think that it is possible to not only navigate some of the challenges but even scale-up your company during this time of reorganisation. One fifth (19%) of companies are not simply coping with this new trading environment, they are thriving in the post-Brexit economy. Indeed, 35% of electronics, computer and telecommunications companies are enjoying positive outcomes and 17% report EU supply chain performance has exceeded expectations.

One important common factor shared by those businesses thriving in the post-Brexit era, is they started planning for Brexit earlier, 24% in the second half of 2019 and 33% in the first half of 2020. Furthermore, these companies took a holistic approach, taking into account the diverse requirements of post-Brexit trade and making the required changes prior to 2021. They engaged with customers (37%), imported goods early to protect supply chains (32%), purchased a supply chain support service (i.e. lawyer, consultant) to help manage the change (29%), purchased a supply chain/logistics software product (28%) and sped up digital transformation in the business (i.e. analytics, automation, AI) (26%).

Preparing early not only allowed these companies to work closely with experts who understand the complexities of global trade but also train staff in new supply chain software and procedures to ensure they were confident and up to speed on 1st January 2021.

TRANSFORMATION AS STANDARD

Of course, such business transformation may seem like dreamland for some sole traders and SMEs that are time starved and uncertain of how to tackle such enormous logistic changes, but for finding your feet during Brexit and Covid-19, the way forward is best served with some kind of a transformational strategy. Advantages can be had by reducing risk factors that are not in your control. For example, with Brexit, groupage became a risky model, where a lorry picks up multiple loads across the UK for transit to Europe. Whilst this has traditionally been a cost-effective solution, attractive to SMEs, if one company using the service has the incorrect paperwork, the entire load is turned away. The hinge-pin is now around having the right paperwork and if you do, delays can be minimal. While freight trade traffic dropped in January, mostly in response to stockpiling undertaken by some companies, it bounced back to 90% normal at Dover by February. With lockdowns ending and vaccination programmes taking effect, there seems to be a huge demand for goods across sectors, so for companies, it is largely about simply being ready.

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FINDING NEW SOLUTIONS

Almost half of companies, 43%, reported concerns about the customs brokerage market's capacity to handle export declaration, rising to 56% of companies with over 250 employees. There is little doubt that the huge demand for customs brokerage services is having an impact on prices – and smaller companies are struggling to gain access to services, with brokers not taking on new clients. However, there are emerging organisations providing such services, for example, some accountancy firms.

There is an interesting alternative, companies can **invest in dedicated supply chain software solutions** and **handle customs declarations in-house**. With a **cloud-based solution**, all the vital customs and shipping data is **secure yet accessible 24x7**. It provides immediate insight into landed costs – allowing **integration with point-of-sale systems** to provide customers with an immediate, complete and accurate view of all costs, from tax to delivery. This approach not only adds control but also provides companies with an easy route to scale up exports in both the EU and the rest of the world, without adding costs.

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THE NEXT BREXIT CHANGES TO PLAN FOR

If preparation is the key for navigating Brexit, it is time to look ahead to the next phase of Brexit changes – safety and security filings from 1st January 2022 and an end to deferred import declarations – due from July. Thriving companies are providing a best-practice blueprint that the rest of the market can now follow. Planning is not just essential for compliance – it makes a tangible difference to successful business operations. Those **companies that prepared earlier are performing better**, they are more confident about the future and they are able to maximise the opportunities left by competitors unwilling or unable to trade in the EU.

We strongly advise exploring the options for managing EU trade – whether that is **investing in software**, **signing up to a customs broker** or **finding a new collaborative approach that eases access to the market**. An effective post-Brexit EU trading model will also open the door to a huge new global opportunity.
Descartes can support your organisation with cross border trade and preparation. With cloud-based logistics and supply chain solutions we have a number of services to make EU trading less of a headache, which will in addition, help boost your business performance. For more information, contact one of our team at info@descartes.com.

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