The Brexit storm

All the results from the CIPS Brexit surveys

August 2019

CIPS
Chartered Institute of Procurement & Supply

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11pm on Friday the 29th of March 2019 came and went and the UK still remains a member of the European Union. Seemingly interminable votes on indicative motions have resulted in the UK Parliament sending the EU and the world the very clear message that they agree on... nothing. At the same time UK businesses are starting to pay the very real costs of the uncertainty that the Brexit process is creating in many ways.

UK businesses have hired additional employees to deal with the customs procedures that a no-deal would require them to complete, also increased their holding of stocks and are paying premium prices for warehouse space. This is a response to fears that a no-deal would lead to long waiting times at our ports as lorries queue to check customs documentation. UK businesses have also lost orders as EU businesses have chosen to relocate their supply chains onto the European mainland. Adding insult to injury, investments have been postponed due to 'Brexit uncertainty' which has resulted in UK businesses losing orders.

All this is not 'project fear'; these are real costs that are being incurred because of the Brexit impasse. Politicians must make up their minds and get on with implementing a decision so that UK businesses can enjoy some certainty and start to plan for the future – no matter what the outcome of the political debate.

This plea comes as our fifth Brexit survey points to some very real concerns for UK businesses. Most, if not all of the concerns, relate to the issue of 'frictionless trade'. Industrial action by French customs officers on the 5th of March 2019 illustrated in great detail what the impact of increased customs checks on queues at the ports would be. In this instance, the French customs official decided to stop every truck to carry out a security check. Within 12 hours the queue was 26 kilometres long from Calais. Any checks at UK ports which cause lorries to stop for even five minutes will cause impossibly long queues. However instead of focusing on operation STACK or BROCK (the planned traffic management systems designed to improve the flow of goods), the UK Department of Transport and HMRC should be putting a simple camera system in place which allows a truck to be 'paired' with a customs declaration, which can be created before the truck arrives at the port. This would allow lorries to move in a 'frictionless' manner through the port. The whole Brexit process will have failed us if we leave the EU with 'no-deal' and a system like this is not in place.

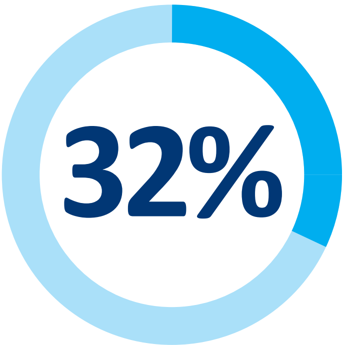
Delays at ports will hit UK exporters hard, who, as our survey illustrates, expect to pay penalties or lose contracts for late delivery of exported goods. In addition to these penalties, delayed delivery of goods will mean delayed payments for those goods and this will put the 'cash flow' of exporters under greater pressure. This is particularly impactful on smaller export businesses; a number of whom have suggested in our survey that the combination of delays and interrupted payments may bankrupt their businesses.

Irrespective of whether we exit the EU with no-deal or we enter a period of softer transition, UK businesses demand that our leaders manage the process far more effectively than they have done to date. A failure to do so will prolong the uncertainty which will increase the impact on specific businesses, sectors and the UK economy as a whole.

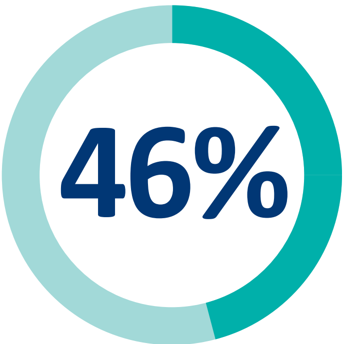
About the survey

Since 2017 CIPS has been running regular surveys about Brexit with the procurement community. The fifth survey findings were drawn from 1,749 supply chain managers from the UK and the EU. The respondents were asked about their views, reactions and preparations for Brexit. The survey ran from the 6th to the 22nd of February 2019. There were 1,602 UK businesses and 140 EU businesses. Questions varied slightly between all the surveys.

Summary of the first CIPS Brexit survey with key findings

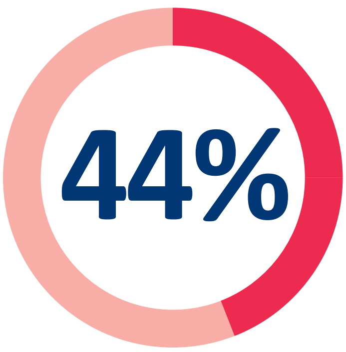


UK businesses who use EU suppliers are looking for British replacements



European businesses expect to reduce their use of UK suppliers

UK businesses plan to respond to Brexit by beating down supplier prices



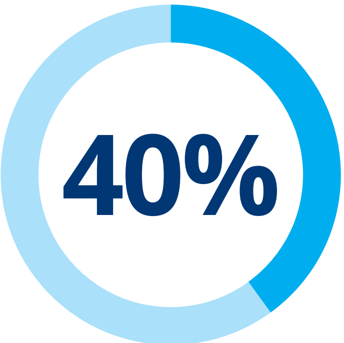
Risk analysis high priority – 44% are performing a risk analysis exercise

It was clear that businesses in the UK and EU were both making preparations and plans to sever supply chains, at least in part.

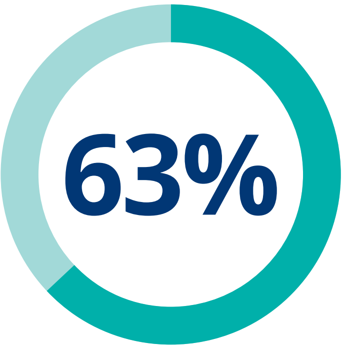
- 32% of UK businesses who use EU suppliers are looking for British replacements
- Nearly half (46%) of European businesses expect to reduce their use of UK suppliers
- 36% of UK businesses plan to respond to Brexit by beating down supplier prices
- The UK's "weak negotiating position" is seen as the biggest hurdle in trade talks
- Risk analysis is high priority – 44% are performing a risk analysis exercise

"The UK's "weak negotiation position" is seen as the biggest hurdle in trade talks"
May 2017

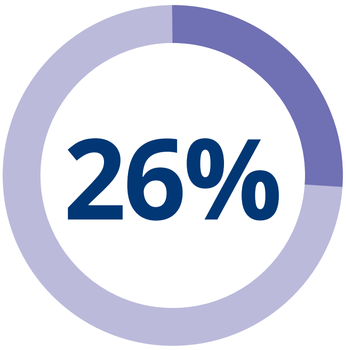
Summary of the second CIPS Brexit survey with key findings



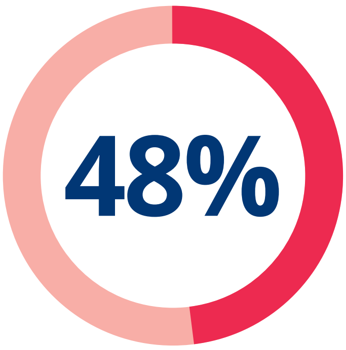
UK businesses who use EU suppliers are looking for British replacements



European business locating supply chains outside UK



UK business finding suppliers outside EU



Risk is high as firms are performing a risk analysis exercise

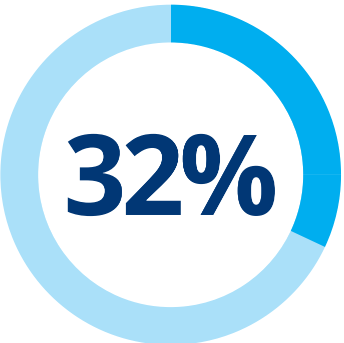
Businesses in the UK and EU continue to both make preparations and plans to sever supply chains – at least in part.

- 40% of UK businesses who use EU suppliers are looking for British replacements
- 63% of European businesses expect a bigger portion of their supply chains will be outside of the UK
- 14% of UK businesses with EU suppliers say part or all operations will cease to exist
- The UK's "lack of clarity on priorities" is seen as the biggest hurdle in trade talks
- Risk analysis is high priority – 48% are performing a risk analysis exercise

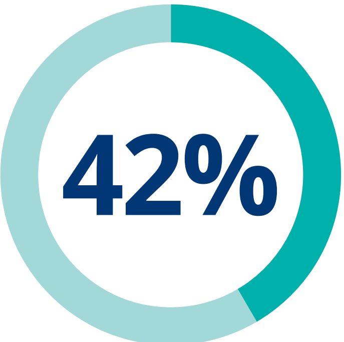
"The UK's "lack of clarity" is the biggest hurdle in trade talks"

November 2017

Summary of the third CIPS Brexit survey with key findings

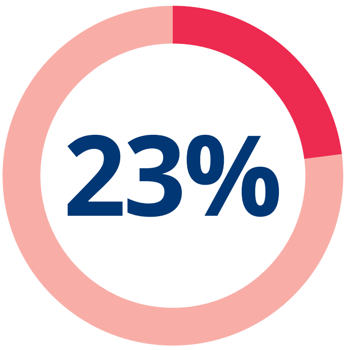


UK businesses who have increased their prices because of Brexit



EU supply chain managers say British products do not stand out

EU businesses with UK suppliers have moved parts of their business out of the UK



UK businesses plan to reduce their workforce

Consumers are already paying the price of Brexit, twelve months ahead of the official separation.

- 32% UK businesses have increased their prices because of Brexit
- 42% EU supply chain managers say British products do not "stand out"
- 14% EU businesses with UK suppliers have moved parts of their business out of the UK
- 23% UK businesses plan to reduce their workforce
- 60% UK businesses with EU suppliers say currency fluctuations have made supply chains more expensive
- 11% EU companies have moved some of their workforce out of the UK since the vote

"Consumers are already paying the price of Brexit"

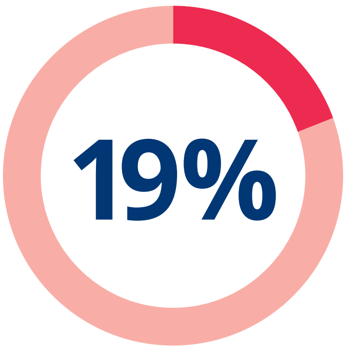
March 2018

Summary of the fourth CIPS Brexit survey with key findings

UK businesses with EU suppliers could go bankrupt as a result of 10–30 minute customs delays

UK businesses would stockpile goods to alleviate impact of customs delays

UK businesses would struggle to find suppliers and skills in the UK post-Brexit



Found it difficult to secure business

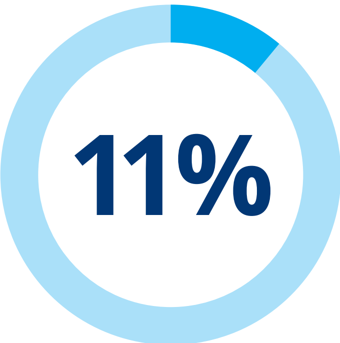
UK Respondents reported that the longer the delay, the more likely their businesses would go bankrupt, with the proportion of companies that would go out of business increasing to 14% if delays to the customs process reached 1 – 3 hours, and 15% at 12 – 24 hours.

- 19% found it difficult to secure business after March 2019
- 6% lost business since the announcement to leave
- 6% were looking to recruit more UK citizens

"Delays of just half an hour at customs could cause one in ten businesses to go bankrupt"

October 2018

Summary of the fifth CIPS Brexit survey with key findings



UK exporters could have contracts cancelled as a result of border delays

EU businesses will expect discount from UK suppliers if border delays persist for a day

UK businesses would be able to export to EU in no-deal scenario and EU customs requirements

European business would withhold payment

The cost of delays to British and EU businesses.

- 20% of EU businesses would push their UK suppliers for a discount on their order if there was just one day's delay
- 11% of UK exporters would expect their contract to be cancelled outright by their clients in the event of delays
- A quarter (25%) of European businesses would withhold payment until after goods arrive meaning potential cash flow problems for businesses
- If the delay extends to 2-3 weeks, 60% of EU businesses would abandon their UK suppliers and turn to back-up suppliers elsewhere
- 13% of UK businesses had re-shored some of their supply chain to the UK
- 38% of UK's European businesses have already switched to alternative suppliers (up from 18% in October 2018).

"UK exporters will foot the bill for Brexit border delays"

February 2019

The case for UK business: summary of fifth survey findings from UK supply chain managers with European suppliers

THE BREXIT IMPACT

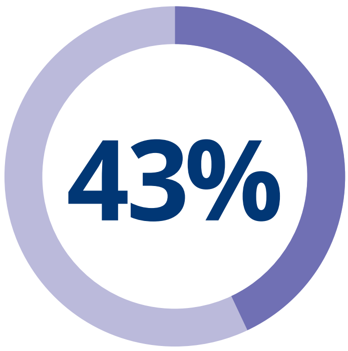
Supply chain managers in the UK were asked about the effect Brexit was continuing to have on their business and their sourcing decisions. This was a repeat question also asked in the other surveys. The biggest response at 38% showed that a large proportion of businesses said they had still not experienced an impact from Brexit but were expecting some change once the UK left the EU (compared to 48% in the last survey). The second highest response was about re-negotiating contracts following price fluctuations, and at 32% was higher than the previous survey (28%). More than one in ten businesses (13%) said they had switched suppliers because of Brexit – 1% higher than the results published in September 2018 and 14% said their supplier relationships had become strained.

44% were still struggling with currency fluctuations making supply chains more expensive.

There was also a significant amount of hesitation amongst clients as they were reluctant to spend, reported by 22% in this section of the survey.

SIGNED, SEALED, DELIVERED

Almost one in five (18%) said they had found it difficult to get contracts signed and over the line as the original deadline of March 2019 approached and 7% said they had lost business since the announcement to leave (up to 1% from last survey). Around 4% said they had won new business. The biggest jump in numbers compared to the previous surveys related to the question where CIPS asked respondents whether they had added new clauses to allow for prices or other terms to be negotiated if trade tariffs increased. In this survey 29% said they tried to renegotiate contracts - a jump of 8% from the last survey. 31% said their contracts have new clauses to allow for prices to be re-negotiated following currency fluctuations.



Supply chain managers stockpiling goods and materials in the event of a no-deal or hard Brexit

FAIL TO PLAN, PLAN TO FAIL

Supply chain managers were questioned about their plans for Brexit, whether their approach was stockpiling, switching suppliers or rebooting their supply chains completely.

The highest response at 43% came from supply chain managers stockpiling their goods and raw materials in the event of a hard Brexit or continuing political uncertainty but 5% struggled to find suitable warehousing space so were unable to build up stocks even when they wanted to. This was closely followed by 31% who said they were looking at alternative routes and ports or other transportation to avoid getting caught in queues at ports. Over a quarter at 28% said they felt unable to prepare for Brexit (down from 38% last time) as the political and economic situation was still too uncertain. 6% said they were planning to suspend some or all of their operations if disruptions occurred. To counteract future disruption, 14% of supply chain managers were attempting to find comparable suppliers to their European contacts but were unable to find similar or equivalent in the UK. However, there was some positive news for UK businesses looking for more contracts and a new pipeline of work. 13% of supply chain managers had already re-shored some of their operations to the UK.

POTENTIAL TARIFFS AND DELAYS

Supply chain managers were then asked about how they would treat their imported goods should the UK leave the EU, without efficient measures in place to retain an efficient flow of products to the UK.

Delayed by just 24 hours

If goods were delayed by just one day, there were a number of consequences businesses would suffer according to the survey.

24% of supply chain managers said they would withhold payment until their goods were received which demonstrates clearly how lean the UK's modern supply chains are, without any margin for error or delay. Lean processes are based on a 'just in time' approach that aligns suppliers directly with companies' production schedules increasing efficiencies, speeding up transactions and reducing waste.

Other respondents had a different approach, circumventing any delays by planning to order their goods from a back-up supplier (16%). The biggest percentage of respondents (41%) said the delays would not affect them perhaps because of the type of goods they managed or because alternative plans had already been put in place since the vote to leave was announced.

Delay extended to 2-3 days

A higher percentage of supply chain managers would withhold payment as the delay increased (28%). The percentage figure for triggering alternative supplier goods rose to 22%, and 33% said such delays would not affect their business.

No goods for a week

This longer delay had a much bigger impact on supply chain managers and the organisations they work for. More respondents said they would withhold payment (33%) and back-up suppliers would be used by 32% of supply chain managers.

Those companies unaffected by even a week's delay was 21%.

Goods not delivered for 2-3 weeks

Though the same percentage of respondents said they would withhold payment until goods arrived (33%). A much higher proportion would have to seek support from their back-up suppliers as time became critical (44%).

A much smaller number of respondents said they would be unaffected by the delay at 11%.

Supply chain managers in the UK were also asked how they believed their EU customers would react if UK exporters had their goods delayed at the borders. A third, 32% said their EU customers would withhold payment until goods were received and 13% said they would ask for a discount. However, when questioned whether UK exporters would stop transporting their goods to the EU, 39% said they would continue to trade in Europe.

BUILDING STOCKS

At the time of writing, economic data showed that companies were rushing to stockpile in the event of a no-deal or unsatisfactory deal. This was also captured in another survey in the summer of 2019, the Markit/CIPS Purchasing Managers' Indices in manufacturing and construction where businesses reported stockpiling impacted directly on rising prices and extended delivery times from suppliers.

As mentioned previously, many of the UK's supply chains work on a just-in-time basis, which are highly-efficient, cost-saving and more sustainable because of the reduction in waste. Also many companies are generally reluctant to hold cash in stocks for any length of time because of warehousing issues or having precious budget tied up. However, in this new Brexit terrain, firms were re-thinking this strategy and planning for more stock levels, to be held for a longer period of time and with reduced cash in reserves. When asked, how many days' worth of stock companies held, more than one in ten businesses held no stock at all, as they continued to operate with a very lean supply chain (12%). Around a quarter (25%) said they had "a few months" worth. One in five business held less than a month's worth, which begs the question of how businesses can continue to function should a hard Brexit occur or customs arrangements not agreed.

RESTRICTED EU SUPPLY

UK businesses have had a relationship with the EU for over four decades, so CIPS wanted to find out how companies would be affected if they were unable to get hold of supplies from the EU. One in ten firms (10%) said they would go out of business. The biggest response at 39% said it would mean increased costs for their organisation. Some respondents looked to dual sourcing strategies to ensure they had back-up suppliers outside the EU (12%) and within the UK (10%).

IS THE UK ENOUGH?

As supply chain managers tried to second-guess the outcomes of the political environment and whether the UK was likely to crash out, many were looking towards in-shoring strategies as their plan B approach. Our survey asked whether the EU imports, companies relied upon were replaceable with supplies from UK alternatives.

Over half (52%) said that they wouldn't be able to replace some of their EU suppliers with UK alternatives. A more confident 8% said they could be replaced with UK businesses and the quality and price would remain the same.

Nearly a quarter of respondents (22%) said they could be replaced but their prices would be higher. A confident 3% said that not only could some of their suppliers be replaced by UK alternatives, but the quality and price would be better.

NEW CUSTOMS ARRANGEMENTS IN THE EVENT OF A NO-DEAL

Supply chain managers are used to managing changes in regulations and have to remain abreast of any new legislation that could affect sourcing or other tiers in their supply chains. At the time of writing the UK had still not left the EU, and UK businesses have been used to the ease with which the UK trades with the rest of Europe. With a hard Brexit scenario, CIPS wanted to understand whether businesses were aware of the additional compliance they would have to meet if they wanted to continue to trade with the EU.

We asked whether they knew about and had/had not applied for a EORI number (European Union Registration and Identification number); understood how to complete each data field in the declaration; agreed responsibilities with their customs agent and logistics provider and identified software for submitting documents without the services of a customs agent.

A concerning quarter of respondents were not aware of all the necessary steps (24%). A further 13% said they were not sufficiently aware but were confident that they could complete all the steps as required by Government. An organised 14% said they were not only aware, but had also completed all four steps. Another 17% said they were fully prepared to complete all steps, 6% said they didn't know how to complete all the steps and 5% said they didn't have the capacity to do what was required.

HAVE YOU APPLIED FOR A EORI NUMBER?

14%	17%	6%	5%	13%	24%	21%
Yes and I have already completed all four steps	Yes and I am fully prepared to complete all four steps	Yes but I do not know how to complete all four steps	Yes but I do not have the capacity/ capability to complete all four steps	No but I would be able to complete all four steps	No and I do not know how to complete all four steps	Don't know

The fifth Brexit survey received 1,253 responses from UK businesses with international supply chains, including some European suppliers. Almost three-quarters of respondents work in the private sector (68%), 29% in the public sector and 3% for not-for-profits.

Regionally, the largest number of respondents came from London (17%) and the South East (15%), followed by North and South West at 11% each and West Midlands at 9%. The remainder made up the final count. The majority of these UK businesses came from manufacturing (29%) followed by retail (11%) and aerospace and defence (9%); construction (8%); energy (7%) with the remaining sectors making up the total. Respondents mostly came from large business (74%); medium sized business (17%) and not-for-profit 9%.

Some of the responses were rounded up/down for ease of use.

What the fifth Brexit survey results revealed about individual sectors in the UK

MANUFACTURING

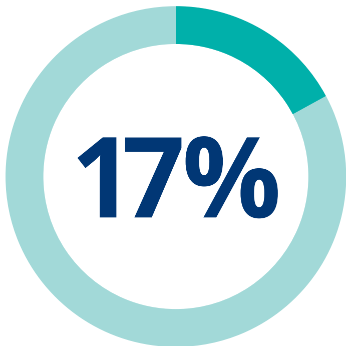
SIGNED, SEALED, DELIVERED

Respondents were asked how Brexit had affected existing contracts with suppliers and customers. 28% said that new clauses had been added to contracts to allow prices or other terms to be re-negotiated if trade tariffs increase. 29% said new clauses had been added to allow for prices to be re-negotiated following currency fluctuations, 14% said they'd switched suppliers as a result of Brexit and 25% said it was difficult to secure contracts after March 2019. A small minority at 5% said that they had won contracts as a result of Brexit and 33% had not experienced an impact.10% said they'd lost contracts as a result of Brexit.

BREXIT AND THE POUND

When asked how the UK's decision to leave the EU had affected supply chains, 54% said currency fluctuations had made supply chains more expensive, 26% have had to re-negotiate contracts with suppliers and 27% said clients and customers had hesitated to place contracts with respondents. 37% said there had been no impact but they were expecting an impact in due course. 19% said relationships with suppliers had become strained and 13% had contracts cancelled or postponed due to the uncertainty.

UK manufacturing firms stockpiling goods and raw materials in the event of a no-deal or hard Brexit



UK manufacturing firms re-shored part of their supply chain to UK

FAIL TO PLAN, PLAN TO FAIL

Manufacturers were asked how they were preparing for supply chain disruptions and customs delays post-Brexit. 60% said they were stockpiling finished goods and raw materials, and 8% said they were trying to stockpile goods but were unable to find available and affordable warehouse space.

32% said they would explore alternative routes, ports and transportation to minimise disruption and 26% said they were unable to make any preparations due to the continued uncertainty though 13% had hired specialist staff to manage customs arrangements such as a customs broker. 17% said they'd re-shored some of their supply chain to the UK and 16% said they'd been looking but were unable to find suitable alternative suppliers.

Almost 9% said their business was planning to temporarily suspend some or all of their operations during the period of disruption.

POTENTIAL TARIFFS AND DELAYS

Delayed by 24 hours

Asked how their businesses would respond if Brexit delays the delivery of imported goods by just one day, 25% said they would withhold payment to their suppliers until the goods were received. 13% said they would order goods from a backup supplier and 11% said they would increase prices to customers. A forward-thinking 10% of respondents said they would invest in technological solutions to decrease any delay and 7% would remove some products from sale, temporarily. Only 6% would negotiate a discount. The highest response at 44% said that it would not affect their organisation possibly because alternative arrangements were already in place. The remaining respondents at 15% said that they didn't know what the effect would be.

Delay extended to 2-3 days

When the question was posed that delays could extend to two to three days, the impact was more marked. A higher 28% said their business would withhold payment to their suppliers until the goods were received. 20% said they would order goods from a back-up supplier and 10% said they would increase prices to customers. A forward-thinking 11% of respondents said they would invest in technological solutions to decrease any delay and 10% would remove some products from sale, temporarily. A higher 10% would negotiate a discount. The highest response at 36% said that it would not affect their organisation possibly because alternative arrangements were already in place. The remainder of respondents at 18% said they didn't know what the effect would be.

No goods for a week

If delays were extended by a week, the impact was predictably higher. More supply chain managers said their business would withhold payment to their suppliers until the goods were received (34%). 29% said they would order goods from a backup supplier and 14% said they would increase prices to customers. More businesses (14% of respondents) said they would invest in technological solutions to decrease any delay and 17% would remove some products from sale, temporarily. The number of businesses that would negotiate a discount rose to 14% as the length of the delay increased. The number of businesses remaining unaffected dropped to around 20%, stating that it would not affect their organisation. These percentages were markedly lower than the impact of shorter delays. The remainder of respondents at 20% said they didn't know what the effect would be.

Goods not delivered for 2-3 weeks

When delays extended to two or three weeks, the impact was predictably even more pronounced. More supply chain managers said their business would withhold payment to their suppliers until the goods were received (35%). 42% said they would order goods from a back-up supplier and 17% said they would increase prices to consumers. More businesses (18% of respondents) said they would invest in technological solutions to decrease any delay and 25% would remove some products from sale, temporarily. The number of businesses that would negotiate a discount was 14% as the length of the delay increased. The number of businesses remaining unaffected dropped dramatically to 6% compared to the shorter delays. This was significantly lower than the impact of shorter delays as Brexit continued to bite. The remainder of respondents at 24% said they didn't know what the effect would be.

HOW EUROPEAN CUSTOMERS COULD RESPOND

CIPS also asked how EU customers would respond if the goods UK businesses were selling to them were delayed at the border. 62% said their EU customers would withhold payment until goods were received, 27% said their EU customers would cancel the order, 23% said their customers would ask for a discount, 15% would cancel the contract with the UK business and a concerning 5% said their customers would not pay at all.

CONTINUING EU TRADE

As the uncertainty continued, we wanted to discover whether UK businesses were shelving any plans to trade with the EU to avoid any further disruption and costs. 70% were overwhelmingly positive saying they would continue exporting to the EU, though 12% said they were not planning to stop trading but would stop exporting goods if there were major delays. 3% had already stopped shipping to the EU, and 2% said they would stop shipping after the end of March 2019. 14% were unsure what they would do.

MORE STOCKPILING TO COME, MORE EXPENSIVE TRADE, AND NEW SUPPLIERS

As businesses were stockpiling and trying to create buffers against disruption almost 28% of manufacturing businesses said they had 'a few months' worth of stock, 18% said they had 1-2 weeks' worth, 26% had less than a month. 7% had less than a week, and 4% had 1-3 days. 12% of respondents operated just-in-time supply chains without stock and designed to improve efficiencies.

When asked what effect not being able to access supplies from the EU for their business would have on their operations, 40% said it would mean increased costs for their business. A worrying level of companies at 19% said they would go out of business. 15% said they had back-up suppliers outside of the EU to make up the shortfall. 8% of businesses said their back-ups were located in the UK. 6% said it would mean decreased profits, 3% said their products will be of lower quality, and an equal 3% said the effect would be increased innovation. 3% would not be affected along with 3% that didn't know.

When asked directly whether businesses could replace all their imports from the EU with UK suppliers, 66% said they wouldn't be able to replace some of their EU supplies with UK suppliers. 18% said they could be replaced with UK suppliers but it would be more expensive, but 7% said they could replace their suppliers and the cost would be the same, 2% said the result would be a reduction in quality but an opposing 2% said UK suppliers would present better quality and price.
When asked about back-up suppliers in case of difficulties with main suppliers post-Brexit, 37% said they did not have a back-up, 27% said they had back-ups outside the EU and 11% said they had back-up suppliers within the EU. A fifth (21%) said they had back-ups in the UK.

IN A NO-DEAL SCENARIO THERE WILL BE NEW EXPORT RULES

British businesses who trade with the EU will have to apply for a EORI number and a range of other activities such as:

- ensure they can complete each data field in the declaration
- agree responsibilities with their customs agent and logistics provider
- identify software for submitting documents if they do not use a customs agent

We asked the manufacturing sector whether they had all they needed to comply with these regulations. Over a quarter of respondents seemed prepared and said they could follow all steps (26%) but hadn't done so, yet. Another 21% were aware of the levels of compliance required and said they had already completed all the necessary steps. Another 11% hadn't made any progress but were confident they knew what to do. One in ten (10%) knew they would have to complete the four steps but were unsure how to do so. A number of businesses (5%) said they had neither the capacity nor capability to complete these steps.

WILL YOUR BUSINESS STOP EXPORTING TO THE EU?

3%	2%	12%	71%	12%
My organisation has already stopped exporting to the EU	My organisation will temporarily stop exporting goods to the EU after 29 March	My organisation doesn't plan to but will stop exporting if goods are significantly delayed at customs	My organisation will continue exporting to the EU	Don't know

The data was collected from the 6th to the 22nd of February 2019 and included 255 respondents from the manufacturing sector in the UK. 5% were located in London, 16% in the South East, 7% in the South West, 17% in the West Midlands, 8% East Midlands, 3% East of England, 6% North East, 16% North West, 9% Yorkshire and Humber, 2% Northern Ireland, 8% Scotland, 5% Wales.

All respondents came from the private sector. 52% of respondents worked in large businesses of 250 or more employees, 36% were a medium-sized business and 12% worked at SMEs. The vast majority had an international supply chain including some European suppliers (97%). Only 3% had UK-only suppliers in their supply chains and the remainder didn't know.

Some of the responses were rounded up/down for ease of use.

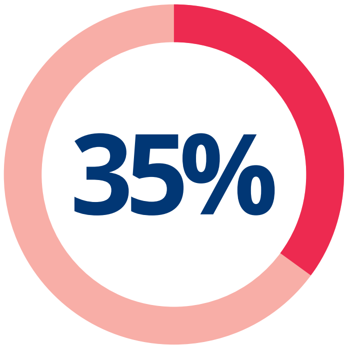
CONSTRUCTION

SIGNED, SEALED, DELIVERED

Respondents in the construction sector were asked how Brexit has affected existing contracts with suppliers and customers since the vote. 19% said that new clauses had been added to contracts to allow prices or other terms to be re-negotiated if trade tariffs increase. 31% said new clauses had been added to allow for prices to be re-negotiated following currency fluctuations, 6% said they'd switched suppliers as a result of Brexit and 17% said it was difficult to secure contracts to run after March 2019. A small minority of 5% said that they had won contracts as a result of Brexit and a large number, 42% had not experienced an impact. 13% said they'd lost contracts as a result of Brexit.

BREXIT AND THE POUND

When asked how the UK's decision to leave the EU had affected supply chains, 48% said currency fluctuations had made supply chains more expensive, 27% have had to re-negotiate contracts with suppliers and 28% said clients and customers had hesitated to place contracts with respondents. 39% said there had been no impact but they were expecting that Brexit would have a bearing on their operations in due course. 12% said relationships with suppliers had become strained and 11% have had contracts cancelled or postponed due to the uncertainty.



UK construction firms stockpiling goods and raw materials in the event of a no-deal or hard Brexit

UK construction firms re-shored part of their supply chain to UK

FAIL TO PLAN, PLAN TO FAIL

Businesses were asked how they were preparing for supply chain disruptions and customs delays post-Brexit. 35% said they were stockpiling finished goods and raw materials, and 2% said they were trying to stockpile goods but were unable to find available and affordable warehouse space.

30% said they would explore alternative routes, ports and transportation to minimise disruption and 26% said they were unable to make any preparations due to the continued uncertainty. 7% had hired specialist staff to manage customs arrangements such as a customs broker. 21% said they'd re-shored some of their supply chain to the UK and 16% said they'd been looking but were unable to find suitable alternative suppliers.

Over 2% said their business was planning to temporarily suspend some or all of its operations during the period of disruption.

POTENTIAL TARIFFS AND DELAYS

Delayed by 24 hours

If customs issues delay the delivery of imported goods by just one day, 31% said they would withhold payment to their suppliers until the goods were received. 26% said they would order goods from a back-up supplier and 7% said they would increase prices to customers. A forward-thinking 12% of respondents said they would invest in technological solutions to decrease any delay and 14% would negotiate a discount. A high response at 24% said that it would not affect their organisation possibly because alternative arrangements were already in place. The remainder of respondents at 21% said they didn't know what the effect would be.

Delay extended to 2-3 days

When the question was posed that delays could extend to two or three days, the impact was more marked. A higher 31% said their business would withhold payment to their suppliers until the goods were received. 38% said they would order goods from a back-up supplier and 7% said they would increase prices to customers. A proactive 12% of respondents said they would invest in technological solutions to decrease any delay, and 17% said they would negotiate a discount. As the possible delays could become longer, fewer organisations said that these delays would not affect their organisation at 17%. The remainder of respondents at 17% said they didn't know what the effect would be.

No goods for a week

If delays were extended by a week, the impact was predictably higher. More supply chain managers said their business would withhold payment to their suppliers until the goods were received (38%). 36% said they would order goods from a back-up supplier and 7% said they would increase prices to customers. More businesses (14% of respondents) said they would invest in technological solutions to decrease any delay. The number of businesses that would negotiate a discount was around 14% as the length of the delay increased. The number of businesses remaining unaffected dropped to 17% stating that it would not affect their organisation. This was markedly lower than the impact of shorter delays. The remainder of respondents at 17% said they didn't know what the effects would be.

Goods not delivered by 2-3 weeks

When delays extended to two or three weeks, the impact was predictably even more pronounced. More supply chain managers said their business would withhold payment to their suppliers until the goods were received (40%). Half (50%) said they would order goods from a back-up supplier and 12% said they would increase prices to consumers. More businesses (17% of respondents) said they would invest in technological solutions to decrease any delay. The number of businesses that would negotiate a discount was 19% as the length of the delay increased. Those remaining unaffected dropped dramatically to 7% compared to the shorter delays as Brexit took a stronger hold. The remainder of respondents at 31% said they didn't know what the effect would be as delays may become more impactful.

HOW EUROPEAN CUSTOMERS COULD RESPOND

CIPS also asked the construction sector how EU customers would respond if the goods UK businesses were selling to them were delayed at the border. 36% said their EU customers would withhold payment until goods were received, 14% said their EU customers would cancel the order, 9% said their customers would ask for a discount, 5% would cancel the contract with the UK business and a concerning 5% said their customers would not pay at all.

CONTINUING EU TRADE

As the uncertainty continued, we wanted to discover whether UK businesses were shelving any plans to trade with the EU to avoid any further disruption, costs and to mitigate risk to their supply chains. Almost one in five (19%) were overwhelmingly positive saying they would continue exporting to the EU regardless, and a small percentage of 5% said they were not planning to stop trading but would stop exporting goods if there were major delays. 7% had already stopped shipping to the EU. An overwhelming 69% said they were unsure what they would do. This indicates firms will be scrabbling to make quick decisions when the situation becomes clearer and could be left without the goods that are vital for their business.

MORE STOCKPILING TO COME, MORE EXPENSIVE TRADE, AND NEW SUPPLIERS

As businesses were stockpiling and trying to create manageable buffers against disruption in their supply chains, 21% of businesses said they had 'a few months' worth of stock, 6% said they had 1-2 weeks' worth, 13% had less than a month, 10% had less than a week, and 6% had 1-3 days. 21% of respondents will continue to operate just-in-time supply chains without building up stocks of finished goods and raw materials.

When asked what effect not being able to access supplies from the EU would have on their company, 36% said it would mean increased costs for their operations. Worryingly, one in ten (10%) said they would not have a business. Another 10% said they had back-up suppliers outside of the EU to make up the shortfall. 14% of businesses concentrated on near-shoring for their goods and said their back-ups were located in the UK. 5% believed that a lack of access to their EU suppliers based on current business terms would mean decreased profits. Another 5% said their products would be of lower quality if they chose alternative suppliers, but 10% said the effect would be increased innovation. 2% of supply chain managers said they would not be affected, and 10% didn't know what the outcome would be.

Pro-Brexiteers hoping for more opportunities for the UK construction sector may be disappointed with the answers to the question around whether supply chain managers could replace all of their imports from the EU with UK suppliers. 31% of supply chain managers in the construction sector said they wouldn't be able to replace some of their EU supplies with UK goods. The highest response to the question (41%) was that businesses with EU suppliers could be replaced with UK suppliers but the goods would be more expensive. Only 10% said they could replace their suppliers and the cost would be the same, with 2% of survey respondents saying they could use UK suppliers but there would be a reduction in quality. An opposing 5% said UK suppliers would present better quality and price.

IN A NO-DEAL SCENARIO THERE WILL BE NEW EXPORT RULES

British businesses trading with the EU will have to apply for a EORI number and a range of other activities such as:

- ensure they can complete each data field in the declaration
- agree responsibilities with their customs agent and logistics provider
- identify software for submitting documents if they do not use a customs agent

We asked the construction sector whether they had all they needed to comply with these regulations. Only one in ten respondents seemed prepared and said they could follow all steps (10%) but hadn't done so, yet. Another 8% were aware of the levels of compliance required and said they had already completed all the necessary steps. Another 13% hadn't made any progress but were confident they knew what to do. Only 2% knew they would have to complete the four steps but were unsure how to do so. A handful of businesses (5%) said they had neither the capacity nor capability to complete these steps. The largest proportion (34%) said they didn't know about all the steps and didn't know how to complete all four steps.

HOW MANY DAYS' WORTH OF STOCK DOES YOUR ORGANISATION HOLD?

21%	3%	6%	10%	6%	13%	21%	3%	17%
My organisation operates a just-in-time supply chain so we hold no stock	Less than a day	1 – 3 days	Less than a week	1 – 2 weeks	Less than a month	A few months	More than a year	Don't know

The data was collected from the 6th to the 22nd of February 2019 and included 90 respondents from the construction sector in the UK. 26% were located in London, 9% in the South East, 6% in the South West, 13% in the West Midlands, 6% East Midlands, 4% East of England, 3% North East, 16% North West, 10% Yorkshire and Humber, 1% Northern Ireland, 4% Scotland, 2% Wales.

All respondents came from the private sector. 74% of respondents worked in large businesses of 250 or more employees, 18% were a medium-sized business and 8% worked at SMEs. The vast majority had an international supply chain including some European suppliers (72%). Only 26% had UK-only suppliers in their supply chains, the remainder didn't know.

Some of the responses were rounded up/down for ease of use.

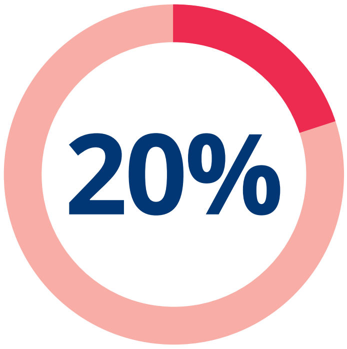
RETAIL

SIGNED, SEALED, DELIVERED

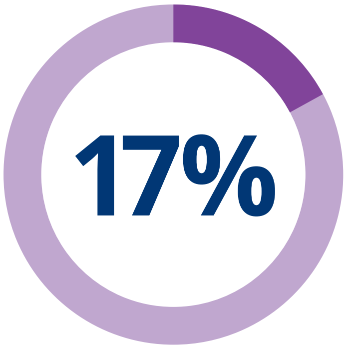
Respondents were asked how Brexit had affected existing contracts with suppliers and customers since the vote in 2016. 38% said that new clauses had been added to contracts to allow prices or other terms to be re-negotiated if trade tariffs increase for example. Almost half of businesses (44%) said new clauses had been added to allow for prices to be re-negotiated following currency fluctuations, 20% said they'd switched suppliers as a result of Brexit and 15% said it was difficult to secure contracts after March 2019. Not one retail business said that they had won contracts as a result of Brexit. Over a third (36%) had not experienced an impact.

BREXIT AND THE POUND

When asked how the UK's decision to leave the EU had affected supply chains, 41% said currency fluctuations had made supply chains more expensive, 32% have had to re-negotiate contracts with suppliers and almost a third (32%) said clients and customers had hesitated to place contracts with respondents. 41% said they had not experienced an impact but they were expecting one in due course. 11% said relationships with suppliers had become strained and 15% have had contracts cancelled or postponed due to the uncertainty.



UK retail companies switched suppliers as a result of Brexit



UK retail firms re-shored part of their supply chain to UK

FAIL TO PLAN, PLAN TO FAIL

Businesses were asked how they were preparing for supply chain disruptions and customs delays post-Brexit in the immediate aftermath and in the coming months. 46% said they were stockpiling finished goods and raw materials, and 5% said they were trying to stockpile goods but were unable to find available and affordable warehouse space. It has been reported widely in the news that a range of sectors are currently stockpiling, and not only competing for the same goods and materials but also vying for warehousing space. This has resulted in a backlog of orders and also impacted on raw materials and finished goods availability for retail and the other sectors highlighted in the report.

As the threat of disruption becomes more likely and the exit date gets closer, 38% of retail supply chain managers said they would explore alternative routes, ports and transportation to minimise interruptions to their supply chains. Without a clear pathway to Brexit, 24% said they were still unable to make any preparations especially around any new customs rules, though 6% had hired specialist staff such as a customs broker to give them additional insight. 17% said they'd re-shored some of their supply chain to the UK to avoid any disorder and 11% said they'd been looking for UK suppliers but were unable to find suitable alternatives.

Around 5% said their business was planning to temporarily suspend some or all of its operations during the period of disruption.

POTENTIAL TARIFFS AND DELAYS

Delayed by 24 hours

Asked how their businesses would respond if Brexit delays the delivery of imported goods by just one day, retail supply managers said they would withhold payment to their suppliers (19%) until the goods were received. 5% said they would order goods from a back-up supplier and 16% said they would increase prices to customers. A forward-thinking 13% of respondents said they would invest in technological solutions to reduce any delays. A range of technological solutions have already been proposed during ongoing Brexit debates in the UK including film surveillance, artificial intelligence and electronic scanners.

To avoid any issues with particular products entirely, 17% would remove some of their products from sale, temporarily. Only 11% would negotiate a discount. The highest response from supply chain managers at 38% said that tariffs and delays would not affect their organisation possibly because alternative arrangements were already in place. The remainder of respondents at 22% said they didn't know what the effect would be.

Delay extended to 2-3 days

When the question was posed that delays could extend to two or three days, the impact was more marked. A higher 17% said their business would withhold payment to their suppliers until the goods were received. 13% said they would order goods from a back-up supplier and 11% said they would increase prices to customers. A forward-thinking 14% of respondents said they would invest in technological solutions to decrease any delay and 20% would remove some products from sale, temporarily. Only 12% would negotiate a discount. The highest response from supply chain managers at 33% said that it would not affect their organisation possibly because alternative arrangements were already in place. The remainder of respondents at 22% said they didn't know what the effect would be.

No goods for a week

If delays were extended by a week, the impact was predictably higher. More supply chain managers said their business would withhold payment to their suppliers until the goods were received (28%), 33% said they would order goods from a back-up supplier and 14% said they would increase prices to customers. More businesses (17% of respondents) said they would invest in technological solutions to decrease any delay and 33% would remove some products from sale, temporarily. The number of businesses that would negotiate a discount rose to 16% as the length of the delay increased. The number of businesses remaining unaffected dropped to 17% stating that it would not affect their organisation. Predictably these percentages were markedly lower than the impact of shorter delays. The remainder of respondents at 16% said they didn't know what the effect would be.

Goods not delivered by 2-3 weeks

When delays extended to two or three weeks, the impact was predictably even more pronounced. More supply chain managers said their business would withhold payment to their suppliers until the goods were received (28%). 41% said they would order goods from a back-up supplier and 14% said they would increase prices to consumers. More businesses (17% of respondents) said they would invest in technological solutions to decrease any delay and a higher 36% said they would remove some products from sale, temporarily. The number of businesses that would negotiate a discount was 16% as the length of the delay increased. The number of businesses remaining unaffected dropped dramatically to only 5%. The remainder of respondents at 23% said they didn't know what the effect would be.

HOW EUROPEAN CUSTOMERS COULD RESPOND

CIPS also asked how EU customers would respond if the goods that UK businesses were selling to them were delayed at the border. 36% said their EU customers would withhold payment until goods were received, 23% said their EU customers would cancel the order, 13% said their customers would ask for a discount, 8% would cancel the contract with the UK business. A worrying 5% said their customers would not pay at all.

CONTINUING EU TRADE

As the uncertainty continued, we wanted to discover whether UK businesses were shelving any plans to trade with the EU to avoid any further disruption and costs. 40% gave a positive response saying that they would continue exporting to the EU, though 8% said they were not planning to stop trading but would stop exporting goods if there were major delays. 10% had already stopped shipping to the EU, and 2% said they would stop shipping after the end of March 2019. 41% were unsure what they would do.

MORE STOCKPILING TO COME, MORE EXPENSIVE TRADE, AND NEW SUPPLIERS

As businesses were stockpiling and trying to create buffers against disruption, 32% of businesses said they had 'a few months' worth of stock, 9% said they had 1-2 weeks' worth, 24% had less than a month, 6% had less than a week, and 5% had 1-3 days. 6% of respondents operated just-in-time supply chains without stock and designed to improve efficiencies.

When asked what effect not being able to access supplies from the EU for their business would have on their operations, 39% said it would mean increased costs for their business. Almost one in ten (9%) said they would go out of business if they were unable to access EU supplies.

Over a quarter of respondents (28%) said they had back-up suppliers outside of the EU to make up any shortfall. A small proportion of retail supply chains said their back-ups were located in the UK (3%). Almost one in ten (9%) would mean decreased profit if they couldn't access EU suppliers. 5% would not be affected along with 3% that didn't know.

When asked directly whether businesses could replace all their imports from the EU with UK suppliers, over half at 53% said they wouldn't be able to replace some of their EU supplies with UK suppliers. Another quarter (25%) said they could be replaced with UK suppliers but it would be more expensive. Around 8% said they could replace their suppliers and the cost would be the same, whereas 3% said the result would be a reduction in quality. A small percentage at 5% said UK suppliers would present better quality and price and they could be the alternative to EU suppliers.

IN A NO-DEAL SCENARIO THERE WILL BE NEW EXPORT RULES

British businesses who trade with the EU will have to apply for a EORI number and a range of other activities such as:

- ensure they can complete each data field in the declaration
- agree responsibilities with their customs agent and logistics provider
- identify software for submitting documents if they do not use a customs agent

We asked the retail sector whether they had all they needed to comply with these regulations. Almost a quarter of respondents seemed prepared and said they could follow all steps (23%) but hadn't done so, yet. Another 24% were aware of the levels of compliance required and said they had already completed all the necessary steps. Another 11% hadn't made any progress but were confident they knew what to do. Only 5% knew they would have to complete the four steps but were unsure how to do so. Over one in ten of businesses (13%) said they had neither the capacity nor capability to complete these steps.

THINKING ABOUT THE EU SUPPLIERS YOU WORK WITH, WOULD YOU BE ABLE TO REPLACE ALL THE GOODS YOUR BUSINESS IMPORTS FROM THE EU WITH ALTERNATIVES FROM THE UK?

8%	5%	25%	3%	53%	6%
Yes and the quality and price would be the same	Yes and the quality and price would be better	Yes but it would be more expensive	Yes but there would be a reduction in quality	My organisation wouldn't be able to replace some of its EU suppliers with UK alternatives	Don't know

The data was collected from the 6th to the 22nd of February 2019 and included 94 respondents from the retail sector in the UK. 25% were located in London, 30% in the South East, 7% in the South West, 8% in the West Midlands, 7% East Midlands, 2% East of England, 6% North West, 12% Yorkshire and Humber, 0% Northern Ireland, 0% Scotland, 3% Wales.

All respondents came from the private sector. The majority (56%) of respondents worked in large businesses of 250 or more employees, 25% were a medium-sized business and 19% worked at SMEs. The vast majority had an international supply chain including some European suppliers (97%). Only 1% had UK-only suppliers in their supply chains. The remaining respondents (2%) had international supply chains but with no European suppliers.

Some of the responses were rounded up/down for ease of use.

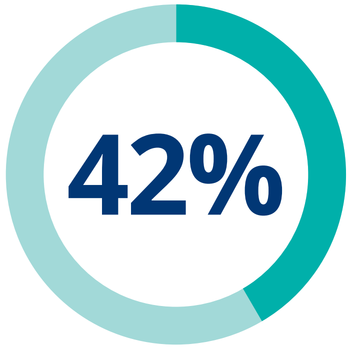
ENERGY

SIGNED, SEALED, DELIVERED

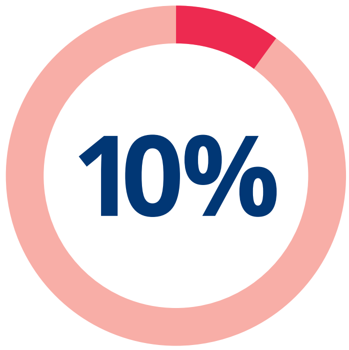
Respondents were asked how Brexit has affected existing contracts with suppliers and customers since the vote. 32% said that new clauses had been added to contracts to allow prices or other terms to be re-negotiated if trade tariffs increase. 33% said new clauses had been added to allow for prices to be re-negotiated following currency fluctuations, 12% said they'd switched suppliers as a result of Brexit and 17% said it was difficult to secure contracts after March 2019. A small minority of 2% said that they had won contracts as a result of Brexit and 33% had not experienced an impact. 12% said they'd lost contracts as a result of Brexit.

BREXIT AND THE POUND

When asked how the UK's decision to leave the EU had affected supply chains, 42% said currency fluctuations had made supply chains more expensive, 26% have had to re-negotiate contracts with suppliers and 23% said clients and customers had hesitated to place contracts with respondents. Almost half respondents (49%) said they had been no impact but they were expecting an impact in due course. 11% said relationships with suppliers had become strained and 16% have had contracts cancelled or postponed due to the uncertainty. 12% said they'd been no impact and these respondents didn't expect any.



UK energy firms stockpiling goods and raw materials in the event of a no-deal or hard Brexit



10% UK energy firms re-shored part of their supply chain to UK

FAIL TO PLAN, PLAN TO FAIL

Businesses were asked how they were preparing for supply chain disruptions and customs delays post-Brexit. Almost half (42%) said they were stockpiling finished goods and raw materials, and 4% said they were trying to stockpile goods but were unable to find available and affordable warehouse space.

31% said they would explore alternative routes, ports and transportation to minimise disruption and over a third (35%) said they were unable to make any preparations due to the continued uncertainty. Some businesses were further ahead in their preparations and pulling in expertise as 13% had hired specialist staff to manage customs arrangements such as a customs broker. 10% said they had re-shored some of their supply chain to the UK and 19% said they'd been looking but were unable to find suitable alternative UK suppliers.

Almost one in ten (8%) said their business was planning to temporarily suspend some or all of its operations during the period of disruption.

POTENTIAL TARIFFS AND DELAYS

Delayed by 24 hours

Asked how their businesses would respond if Brexit delays the delivery of imported goods by just one day, 23% said they would withhold payment to their suppliers until the goods were received. 21% said they would order goods from a back-up supplier and 13% said they would increase prices to customers. A forward-thinking 9% of respondents said they would invest in technological solutions to decrease any delay which several of the other sectors were also looking into. Only 11% would negotiate a discount.

The highest response at 49% said that it would not affect their organisation possibly because alternative arrangements were already in place or the issue of tariffs or delays did not affect them. The remainder of respondents at 15% said they didn't know what the effect would be. 9% would temporarily remove some products from sale and avoid the issue of delays entirely.

Delay extended to 2-3 days

When the question was posed that delays could extend to two or three days, the impact was more marked. A higher 36% said their business would withhold payment to their suppliers until the goods were received. 34% said they would order goods from a back-up supplier and 19% said they would increase prices to consumers. A forward-looking 6% of respondents said they would invest in technological solutions to decrease any delay and 13% would remove some products from sale, temporarily. A higher 17% would negotiate a discount. The highest response at 36% said that it would not affect their organisation possibly because alternative arrangements were already in place or their goods were unaffected. The remainder of respondents at 11% said they didn't know what the effect would be.

No goods for a week

If delays were extended by a week, the impact was predictably stronger. More supply chain managers said their business would withhold payment to their suppliers until the goods were received (40%). 38% said they would order goods from a back-up supplier and 15% said they would increase prices to customers. More businesses (15% of respondents) said they would invest in technological solutions to decrease any delay and 21% would remove some products from sale, temporarily. The number of businesses that would negotiate a discount rose to 13% as the length of the delay increased. The number of businesses remaining unaffected dropped to around 23% stating that it would not affect their organisation. The remainder of respondents at 15% said they didn't know what the effect would be.

Goods not delivered by 2-3 weeks

When delays extended to two or three weeks, the impact was predictably even more significant. More supply chain managers said their business would withhold payment to their suppliers until the goods were received (45%). 57% said they would order goods from a back-up supplier and 21% said they would increase prices to consumers. More businesses (19% of respondents) said they would invest in technological solutions to decrease any delay and 21% would remove some products from sale, temporarily. The number of businesses that would negotiate a discount was 23% as the length of the delay increased. The number of businesses remaining unaffected was 11%. The remainder of respondents at 25% said they didn't know what the effect would be which was considerably higher than the effects of shorter delays.

HOW EUROPEAN CUSTOMERS COULD RESPOND

CIPS also asked how EU customers would respond if the goods UK businesses were selling to them were delayed at the border. 21% said their EU customers would withhold payment until goods were received, 21% said their EU customers would cancel the order, 11% said their customers would ask for a discount, 15% would cancel the contract with the UK business and a worrying 6% said their customers would not pay at all.

CONTINUING EU TRADE

As the uncertainty continued, we wanted to discover whether UK businesses were shelving any plans to trade with the EU to avoid any further disruption and costs. 26% were overwhelmingly positive saying they would continue exporting to the EU, though 19% said they were not planning to stop trading but would stop exporting goods if there were 'major' delays. 6% had already stopped shipping to the EU, and 2% said they would stop shipping after the end of March 2019. The vast majority (47%) were unsure what they would do.

MORE STOCKPILING TO COME, MORE EXPENSIVE TRADE, AND NEW SUPPLIERS

As businesses were stockpiling and trying to create buffers against disruption almost 29% of businesses said they had 'a few months' worth of stock, 5% said they had 1-2 weeks' worth, 12% had less than a month, 4% had less than a week, and 5% had 1-3 days. 21% of respondents operated just-in-time supply chains.

When asked what effect not being able to access supplies from the EU for their business would have on their operations, 38% said it would mean increased costs for their business. Around 6% said they would go out of business. 13% were organised with back-up suppliers outside of the EU to make up the shortfall. 6% of businesses said their back-ups were located in the UK. 15% said it would mean decreased profits if they could not access their usual EU suppliers, 2% said their products will be of lower quality, and an equal 2% said the effect would be increased innovation. 4% would not be affected along with 13% that didn't know.

When asked directly whether businesses could replace all their imports from the EU with UK suppliers, 66% said they wouldn't be able to replace them. 15% said they could be replaced with UK suppliers but it would be more expensive, but 8% said they could replace their suppliers and the cost would be the same. 4% said the result would be a reduction in quality but an opposing 2% said UK suppliers would present better quality and price.

IN A NO-DEAL SCENARIO THERE WILL BE NEW EXPORT RULES

British businesses who trade with the EU will have to apply for a EORI number and complete a range of other activities such as:

- ensure they can complete each data field in the declaration
- agree responsibilities with their customs agent and logistics provider
- identify software for submitting documents if they do not use a customs agent

We asked the energy sector whether they had all they needed to comply with these regulations. Almost a fifth of respondents seemed prepared and said they could follow all steps (17%) but hadn't done so, yet. Only 6% were aware of the levels of compliance required and said they had already completed all four necessary steps. Another 23% hadn't made any progress but were confident they knew what to do. Around 17% knew they would have to complete the four steps but were unsure how to do so. One in ten businesses (11%) said they had neither the capacity nor capability to complete these steps and 21% didn't know whether they knew how to complete the steps, or had the capacity to take this on.

HOW WOULD IT AFFECT YOUR BUSINESS IF YOU WERE NO LONGER ABLE TO ACCESS SUPPLIES FROM THE EU?

6%	My organisation would go out of business
38%	It would increase costs for my organisation
15%	It would reduce profits for my organisation
2%	Of products will be lower quality
2%	It would boost innovation
13%	My organisation has back-up suppliers outside the EU that we could work with instead
6%	My organisation has back-up suppliers inside the UK we could work with instead
4%	It would not affect my organisation
14%	Don't know

The data was collected from the 6th to the 22nd of February 2019 and included 75 respondents from the energy sector in the UK. 17% were located in London, 9% in the South East, 8% in the South West, 11% in the West Midlands, 3% East Midlands, 8% East of England, 7% North East, 16% North West, 3% Yorkshire and Humber, 3% Northern Ireland, 13% Scotland, 3% Channel Islands.

All respondents came from the private sector. 75% of respondents worked in large businesses of 250 or more employees, 12% were a medium-sized business and 13% worked at SMEs. The vast majority had an international supply chain including some European suppliers (85%). Only 15% had UK-only suppliers in their supply chains.

Some of the responses were rounded up/down for ease of use.

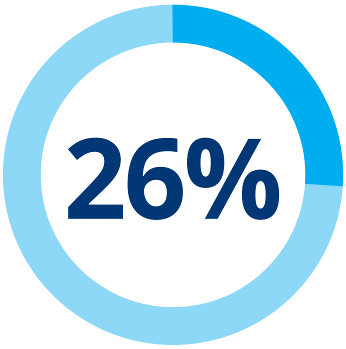
The situation in Europe: summary of fifth survey findings from European supply chain managers with UK suppliers

THE BREXIT IMPACT

Supply chain managers in the EU were asked about the effect Brexit was continuing to have on their business and their sourcing decisions; whether they were looking to replace UK suppliers in the EU, adding new clauses or not feeling any impact. This was a repeat question also asked in the other surveys.

The highest response from EU supply chain managers was to the question about suppliers. 34% said they had changed suppliers as a result of Brexit. Around a quarter (26%) said they had found it difficult to secure contracts to run after March 2019. Others took to adding clauses to their existing contracts so prices could be re-negotiated following currency fluctuations (22%) and a higher percentage of supply chain managers (31%) added new clauses so not just prices but other terms could be re-negotiated if trade tariffs increased, for example.

In contrast to UK businesses, only 20% said they had still not experienced an impact from Brexit, at all.



Around a quarter said they had found it difficult to secure contracts after March 2019

SIGNED, SEALED, DELIVERED

Over one in four (26%) said they found it difficult to get contracts signed and over the line as the original deadline of March 2019 approached, and 5% said they had lost business since the announcement to leave. Around 5% said they had won new business.

The biggest jump in numbers compared to the previous surveys related to the question where CIPS asked respondents whether they had added new clauses to allow for prices or other terms to be negotiated if trade tariffs increased. 31% said they would try and protect their businesses from the biggest impacts by re-negotiating. 22% said their contracts have new clauses to allow for prices to be re-negotiated following currency fluctuations

FAIL TO PLAN, PLAN TO FAIL

Supply chain managers were questioned about their plans for Brexit, whether their approach was stockpiling, switching suppliers or re-booting their supply chains completely.

The highest response at 39% came from EU supply chain managers who had re-shored some of their supply chain to the EU, and 17% said they were looking for an alternative supplier in the EU but were unable to find anyone as yet. Around a third (31%) of EU supply chain managers were concerned about unexpected material shortages, logistics difficulties or unacceptable new customs arrangements, so decided to stockpile the goods and raw materials they need.

Other EU supply chain managers were looking for alternative opportunities to either avoid changing suppliers or circumvent new customs arrangements as 26% said they would seek out alternative routes, and ports of transportation to the UK to avoid long border delays. Others still felt they couldn't do anything until the Brexit pathway was clearer (18%).

POTENTIAL TARIFFS AND DELAYS

EU supply chain managers were largely in accord with UK procurement professionals on how they would react if goods were delayed at borders by withholding payment, looking for alternative suppliers and removing products from sale.

Delayed by 24 hours

If goods were delayed by just one day, there were a number of consequences EU businesses would have to manage according to the survey.

At 43%, a higher number of EU supply chain managers than UK managers (16%) were ready with a back-up supplier to circumvent any delays – even a day. Another quarter (25%) said they would withhold payment until the goods were received which was very similar to the UK managers at 24%. Another 20% would negotiate a discount on delayed goods. A confident 27% said delays would not affect their business.

Delay extended to 2-3 days

A higher percentage of EU supply chain managers would withhold payment as the delay increased (35%). 39% would use back-up suppliers and 26% said such delays would not affect their business. A slightly smaller number of respondents at 18% said they would negotiate a discount because of any delays.

No goods for a week

This longer delay had a more significant impact on supply chain managers where 57% said they would have to use their back-up supplier.

34% of respondents said they would withhold payment and 23% would negotiate a discount to gain compensation for the delay. Those companies unaffected by even a week's delay dropped to 12%.

Goods not delivered by 2-3 weeks

Supply chain managers in the EU were under more pressure to use their back-up suppliers if the delay of imported goods extended much further than just a day or a week.

Around two thirds of EU supply managers (60%) said they would have to turn to their back-up suppliers if their requested goods were delayed for this length of time and 60% said they would use alternative suppliers. A slightly higher 36% of respondents facing 2 to 3 weeks' delay said they would withhold payment until goods were received. A slightly smaller percentage at 18% said they would negotiate a discount on goods received.

BUILDING STOCKS

As UK managers intensified their efforts to ensure they had enough stocks of raw materials and finished goods to see their businesses through any Brexit storms, supply chain managers in the EU were doing the same.

When asked, how many days' worth of stock companies held, nearly a fifth held no stock at all as they operated with a very lean supply chain (17%) and 16% said they had 'a few months' worth. Less than one in five businesses held less than a month's worth (16%) and only 13% held 1 to 2 weeks' of stock making some companies very vulnerable and potentially unable to satisfy customer orders.

RESTRICTED UK SUPPLY

Companies in the European Union, have also had a long relationship with the UK and strong links with British suppliers, so CIPS had to ask the question about how they would manage if those links were broken or business became more difficult.

Almost one in five (17%) supply chain managers said that restricted UK supply would increase costs for their business whereas the biggest percentage of respondents said that they had back-up suppliers that they could work with instead (27%). Another 23% also said they had alternative suppliers inside the EU that they could do business with. Only 1% of EU firms said they would go out of business.

IS THE EU ENOUGH?

As supply chain managers in the EU as well as the UK tried to second-guess the outcomes of the political impasse and whether the UK would go for a hard Brexit, many EU businesses were looking more inwardly for alternative suppliers. Our survey asked whether the EU imports these companies relied upon were replaceable with supplies elsewhere from the EU – if they had to stop working with their UK supplier partners.

Around a third (34%) said that they would be able to replace their UK suppliers with EU alternatives and the price and quality would be the same. Another 21% said it would be possible, but more expensive and 16% would not be able to replace goods from UK companies with others from the EU.

THINKING ABOUT THE UK SUPPLIERS YOU WORK WITH, WOULD YOU BE ABLE TO REPLACE ALL THE GOODS YOUR BUSINESS IMPORTS FROM THE UK WITH ALTERNATIVES FROM THE EU?

34%	12%	21%	10%	16%	7%
Yes and the quality and price would be the same	Yes and the quality and price would be better	Yes but it would be more expensive	Yes but there would be a reduction in quality	My organisation wouldn't be able to replace some of its UK suppliers with EU alternatives	Don't know

The fifth Brexit survey received 100 responses from EU (excluding UK) businesses with some UK suppliers. 42% were located in Western Europe, 29% in Central Europe, 13% in Eastern Europe, 11% in Northern Europe and the remaining 5% in Southern Europe.

Most of the respondents worked in the private sector (81%), 8% in the public sector and 11% for not-for-profits. Supply chain managers mostly came from large business (79%); medium sized business (14%) and small business (7%).

Some of the responses were rounded up/down for ease of use.

What you should do next

Six tips on how procurement can help organisations prepare for Brexit:

- **Audit your supply chain from end to end**
  Dig deeper into your supply chain to find any hidden European suppliers. Not just auditing supply chains, and tiers, but where there are strategic categories or strategic suppliers. Some products or services might have been sub-contracted to a European-based organisation.

- **Reassure and communicate continuously**
  With supply chains in the spotlight, organisations will be looking to procurement to lead. CIPS calls upon professionals to take the trusted advisor's role, listening to concerns, reassuring business that supply chains are robust and protected.

- **Prioritisation and risk analysis**
  Identifying potential problem areas and prioritising them is key. Take a proportioned, segmented, risk-based approach.

- **Contract review – current and planned**
  Be on top of all your contracts so that when Brexit arrives, your organisation is not hit with any surprises. Review all contracts and understand which legal jurisdictions those contracts operate in and what currency.

- **Research and monitor**
  Don't just look at contracts, also look at any deals on the horizon.

- **Research issues**
  Broadly take into account legislation and trade issues that might affect the supply chain and come up with contingency plans to tackle them. Watch the news and Brexit negotiation developments.

- **Work cross-functionally**
  Most organisations and departments are going through similar uncertainty, so it would be beneficial to all parties to share knowledge on how to minimise disruption.

More resources

- www.cips.org/knowledge
- www.supplymanagement.com

Duncan Brock, Group Director, CIPS

WHAT NEXT FOR PROCUREMENT AND BREXIT?

At the time of writing, the Brexit deadline of 29th of March 2019 came and went, and was further extended while the political parties squabbled and argued without consensus. With no obvious agreement in sight, it's not inconceivable that the road to Brexit could stretch out even further, while businesses do their best to keep calm and carry on.

As the results of this fifth Brexit survey show, responsible supply chain managers in Europe and the UK are trying to limit the impacts on their business by focusing on a number of core issues. These are, professional and up-to-date skills and knowledge in supply chain management; business funding and support for mitigation plans; research into in-sourcing or sourcing essential goods and materials from further afield; impact of customs delays and tariffs; developing closer relationships with key suppliers; managing currency fluctuations; technological solutions and warehousing challenges. Not much. Though this may be an exhausting list, it's certainly not exhaustive, given the likelihood of additional pressures such as global trade wars just on the horizon.

But for businesses to have any chance of navigating and surviving the Brexit storm, they must spend time, resource and effort to assess these risks and how it affects their business, to mitigate against them as much as possible, manage those risks and communicate plans to the business as a whole. Companies must also ensure that key suppliers and stakeholders are aware of and signed-up to any plans, so everyone is aligned and moving in the right direction.

I say the 'right' direction but admittedly that's difficult to fathom at this time and not all mitigation plans will necessarily be plain sailing. The decision to stockpile for example has consequences.

As pub chains stockpile millions of pounds' worth of beer and airlines stock up on aircraft parts in case a no-deal severs their supply chains, building up supplies ties up precious funds that could be invested into business infrastructure or people instead. The reality is that firms are also already spending millions to prepare for something that may or may not happen. So all these actions combined, have the potential to stifle growth in the UK economy and in the companies themselves.

The Markit/CIPS Purchasing Managers' Indices for three sectors – manufacturing, construction and services paint a similar picture. Businesses report high levels of stockpiling, warehouse shortages and re-routing supply chains away from the UK. New domestic and export orders are also affected as uncertainty and indecision dominate the business landscape into near stagnation. With the threat of administration hanging over more UK companies, it cannot be underestimated how uncertainty is crippling business and even scaring EU clients away.

Supply chains across Europe have worked pretty well for the last few decades. Supply chain managers have been used to straightforward processes and the free movement of labour, goods and services but this is fast becoming derailed. If no-deal becomes a reality, supply chains will experience a re-set and supply chain managers will almost be back to square one doing their best to save their businesses from oblivion.

Whatever the final outcome of Brexit negotiations, every supply chain manager must do something. Even if it's just some research around possible scenarios or reading the UK Government's series of advisory guidance and policy statements. Once Brexit happens, there will also be regulatory and tax changes that have to be figured in too, so hold your nerve, be proactive and become Brexit-ready.

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About CIPS

CIPS, is the world's largest organisation dedicated to the profession. We are the voice and standard of procurement and supply across the globe.

Working for the good of the profession and the public by continually driving improvements in supply chain practice.

CIPS champions the raising of standards in the profession through:

- Professional qualifications, culminating in MCIPS membership and Chartered Status
- Leading-edge thinking and research through the CIPS Knowledge area of our website
- Actively lobbying world governments and driving the professional agenda at every level including the boardroom.

Licensing the Profession
CIPS has called for Licensing the Profession to raise the status of procurement and supply, recognise individual excellence and engender public confidence and is supported in this aim by the United Nations Development Programme.

MCIPS is the Licence for the Profession
Recognising a higher level of understanding and ability.

Global Standard
CIPS has established the Global Standard for procurement and supply, which is free to all and identifies current operating levels of skills, abilities and capability gaps.

Ethical Procurement
CIPS champions the ethical procurement agenda, which includes driving out corruption and modern slavery, and builds greater confidence in the profession by:

- Licensing procurement and supply professionals
- Bringing attention to, educating and affecting behavioural change in individuals and organisations
- Holding our global membership to account through our Code of Conduct, Ethics Test and Chartered Status.

Working with governments, humanitarian world organisations and industry to raise awareness of sustainable procurement practices and legislation, and drive out corruption and modern slavery in supply chains.

To monitor the changing landscape on the path to Brexit, CIPS is conducting regular surveys to see how confidence changes, whether procurement and supply chain professionals take significantly different actions towards the end of the negotiations than at the beginning, and what impacts these will have in the UK and beyond. Look out for another survey this year and CIPS guidance on what to do in the event of a no- deal Brexit.

Chartered Institute of Procurement & Supply

cips.org

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