

Supply & Distribution Brexit Response

With an uncertain post Brexit picture, flexibility of response is critical to surviving and growing after the United Kingdom has left the European Union. Flexibility is underpinned by a clear understanding of the supply network and supply chains, and scenarios and potential impacts. However, there are tactical actions that can be taken now to prepare for the imminent changes, which are valid, irrespective of the details of the Brexit “deal”.



A Pathfinders Research Document

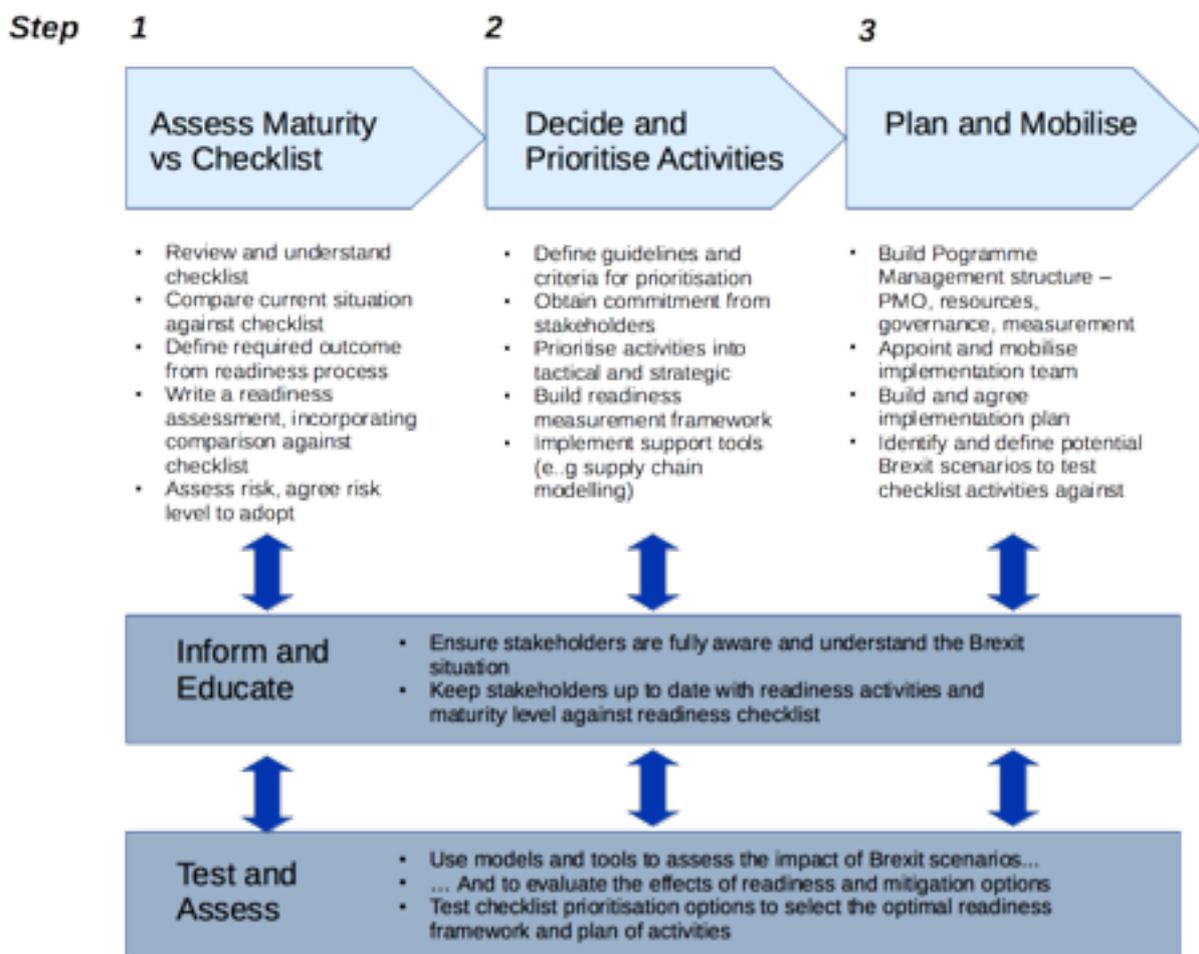
October 2018

Readiness Process

With only 9 - 14% of respondents* feeling they are prepared as they can be for Brexit, knowing which activities to focus on is critical as we rapidly approach the date for the United Kingdom's exit from the European Union.

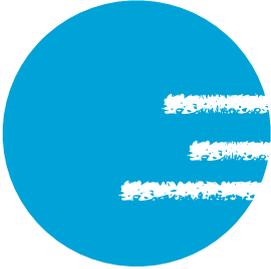
As important is having a defined and fully understood process for prioritising those activities.

Below is a suggested generic process for carrying out that prioritisation of preparation and readiness activities.



* -Chartered Institute of Purchasing and Supply; Pathfinders Primary Research

Tactical Check List



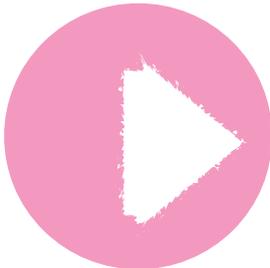
Assess and Understand

- Map supply chain and network
- Build Cost to Serve model for all products
- Assess and audit suppliers' readiness
- Review people skills - change, technical
- Review regulatory and compliance impact
- Prepare risk analysis
- Analyse scenarios and impacts

40% *Percentage of UK companies that will need to replace EU suppliers*

43,000

non UK drivers expected to leave the UK



Sourcing and Supply

- Assess need to replace EU suppliers with UK, & vice versa
- Identify supply bottlenecks
- Forward stock, particularly in front of bottleneck
- Allow for longer lead times
- Consider less frequent, larger shipments
- Review supply contracts extending beyond March 2019
 - Will SLAs and clauses become impossible to deliver?
 - Check EU/ UK law validity
- This is not "force majeure"; check if costs can be recouped, and what contract novation can be carried out
- Review potential impact on vehicle and driver capacity utilisation
- Assess alternative sea routings (NB extensive competition for limited capacity)
- Assess option to switch to Air (expect no capacity and rate increases)
- Allow for exceptionally busy routes from early Feb 19 onwards

175,000

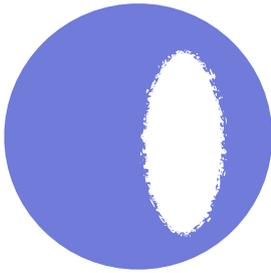
Number of UK companies that will need to complete Customs Clearance forms for the first

£15,000

Amount a 1 hr delay at port costs road haulage

14,000

*Number of trucks a day
crossing the English Channel*



Trade Compliance

- Obtain Economic Operator Registration and Identification (EORI) number
- Confirm VAT registration in EU
- Review trade classifications
- Review Incoterms (avoid EXW and DDP)
- Confirm responsibility for customs clearance import/export each end of each supply chain
- Test customs clearance process, ensure people in place and trained
- Ensure invoices adequately describe goods
- Understand impact of changes on IP rules

55%

*Percent of UK Companies
facing challenges with
people skills*

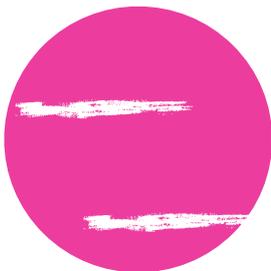


IT Systems

- Identify potential required changes to ERP modules, including forecasting and supply chain
- Determine impact of multiple regulatory requirements on ERP and related systems
- Review services contracts with IT suppliers
- Carry out a data and systems security review
- Review data storage and routing locations; review data export licensing
- Assess value of Cloud based solutions to cover Brexit transition

63%

*Percentage of EU companies
expected to replace UK suppliers*



Opportunities Analysis

- Review potential opportunities in non EU geographies
- Define business case for attaining AEOC and AEOF accreditations
- Assess impact of a devalued British Pound
- Review opportunities for on-shoring of services and manufacturing
- Carry out strategic assessment of how a more flexible operating model could be leveraged to become more competitive across all markets
- Assess impact and opportunities of digital technologies e.g. Smart Contracts and Blockchain



Brexit Readiness

- Build a dynamic model of your key supply chains; establish resources and processes to use these models to respond to post Brexit situations
- “Tee up” operational response teams; carry out training pre Brexit
- Define the operational response processes
- Assess post Brexit scenarios and prepare potential responses and mitigation plans
- Don’t lost sight of ongoing and other challenges; maintain regular strategic planning activities
- Continue to monitor the situation; deploy expert resources to closely monitor the technical implications of announced changes

20%

Percent of supply contracts that will need to be changed

Maturity Measurement - Example

Activity	Level of Maturity		
	Not At All	Some Understanding/ Progress	Well prepared
Obtain EORI number	X		
Forward stock in place		X	
Review Trade Classifications			X
Carry out data security review		X	



Authors: Tim Lux and Valter Johansson

Data Sources: Chartered Institute of Supply and Purchasing; UK Government; Reuters; Lexology; PWC; ICAEW; Pathfinders Primary Research; M Corby