

# *The Brexit storm*

All the results from the  
CIPS Brexit surveys

October 2018





# Dr John Glen, CIPS Economist and Visiting Fellow at the Cranfield School of Management



With March 2019 rapidly approaching the consequences of the UK electorate's decision to leave the European Union, 'Brexit' is now a challenge faced by UK as well as EU businesses.

Continued uncertainty regarding the nature of trading relations with the EU post-March 2019 have caused the UK economy to slow down with growth in 2018 and 2019 predicted to be uninspiring and around 1.5%. Much less than the official UK Government target at 2.4%. The slowdown has been driven by weak consumer and investor confidence which has not been offset by a hoped-for improved performance in export markets which have been impacted by the effects of the weak pound.

UK businesses are only now starting to put in place steps to mitigate the potential impacts of Brexit, partly because they can't wait much longer. By taking an in-depth look at their global supply chains and how they could be affected by more tariffs and more restrictions they have at least taken some steps to bring more certainty to their business according to our research.

Our survey found that 35% of UK businesses have sought to on-shore some of their supply chain. But those that have are reporting difficulties in sourcing capacity in the UK, half of the businesses surveyed said the required skills which would allow them to bring their supply chains back were difficult to find in the UK. This in part is due to the success of the UK economy in the last decade that we now have unemployment at a mere 4%. This effectively means that the UK economy is fully employed and additional capacity is tight.

At the same time, many businesses are starting to prepare for the possibility of a day one 'no deal'. The consequences of such an event are potentially catastrophic. Customs delays of only 6-8 minutes per truck at Dover would result in long queues tailed back to the Dartford crossing within a couple of days.

It is essential that the UK Government puts in place measures to ensure that no matter what scenario is played out post-March 2019, goods must keep moving. The consequences of failing to do so were made painfully obvious in this survey where 10% of supply chain managers said that delays of between 10-30 minutes at our seaports could result in the bankruptcy of their business.

Against this background it is vital that an agreement between the UK and the EU is found as soon as possible which respects both the wishes of the UK electorate but also ensures that goods keep moving. No UK citizen voted to be poorer in June 2016 so it is incumbent on the UK government to negotiate a settlement which ensures that living standards are maintained. These threats coupled with the value of sterling at or around €1.10 have added to pressure on business costs which are now being passed onto consumers, so everyone is under the Brexit cloud.

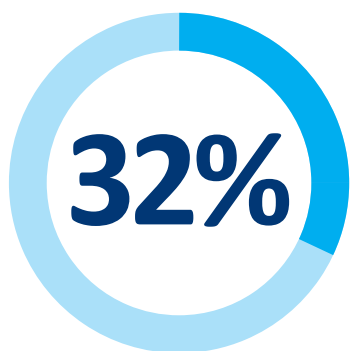
At the time of writing there are signs that common sense is starting to prevail, on both sides, but there is little sympathy for politicians who choose posturing over pragmatism at this time to the detriment of the UK electorate and UK businesses.

## *About the surveys*

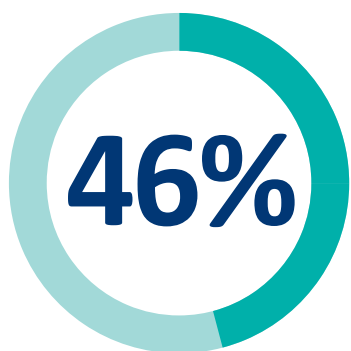
From 2017 CIPS has been running regular surveys about Brexit with the procurement community.

The fourth survey findings were drawn from a survey of 1,310 supply chain managers. The respondents were from across the globe and were asked on their views and reactions towards Brexit. The survey ran from 21st August to 10th September 2018. There were 1,075 UK businesses and 143 EU businesses involved in the survey. Questions varied slightly between all the surveys.

# Summary of the first CIPS Brexit survey with key findings



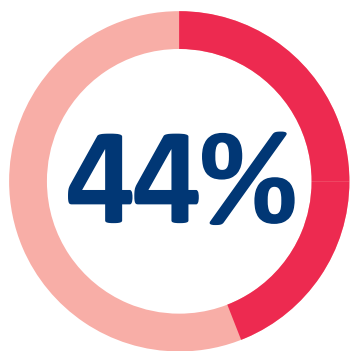
UK businesses who use EU suppliers are looking for British replacements



European businesses expect to reduce their use of UK suppliers



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



Risk analysis is 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.

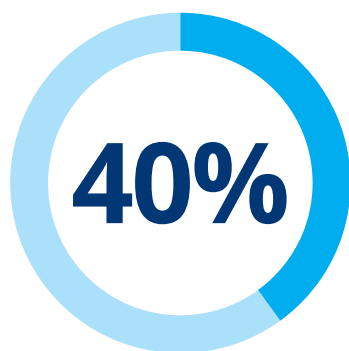
- 32% of UK businesses who use EU suppliers are looking for British replacements
- Nearly half (46%) of European businesses expect to reduce their use of UK suppliers
- 36% of UK businesses plan to respond to Brexit by beating down supplier prices
- The UK's "weak negotiating position" is seen as the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



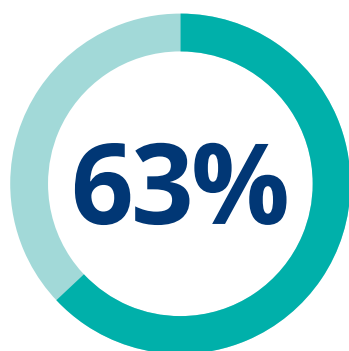
*The UK's "weak negotiation position" is seen as the biggest hurdle in trade talks*

*May 2017*

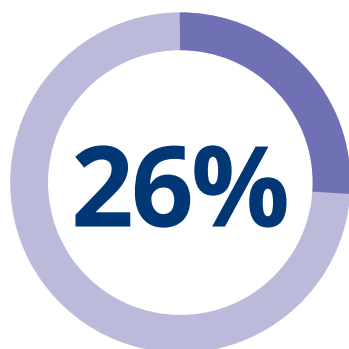
# Summary of the second CIPS Brexit survey with key findings



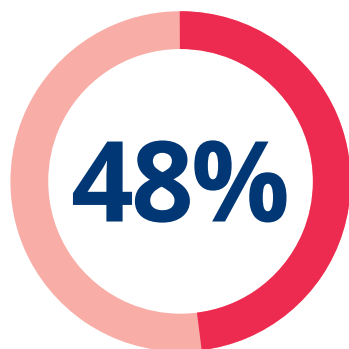
UK businesses who use EU suppliers are looking for British replacements



European businesses supply chains outside UK



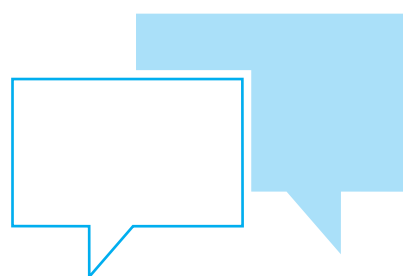
UK businesses suppliers outside EU



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.

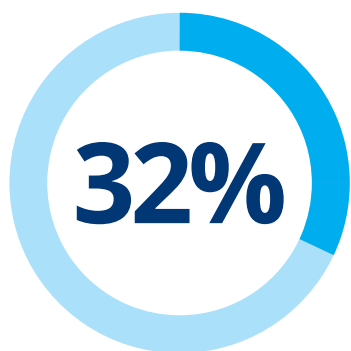
- 40% UK businesses who use EU suppliers are looking for British replacements
- 63% of European businesses expect a bigger portion of their supply chains will be outside UK
- 14% of UK businesses with EU suppliers say part or all operations will cease to exist
- The UK's "lack of clarity on priorities"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



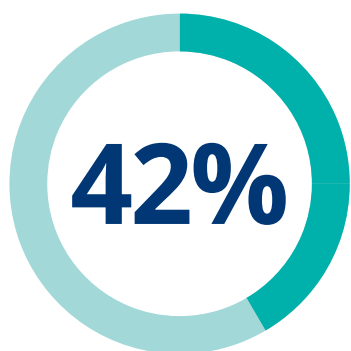
*The UK's "lack of clarity" is the biggest hurdle in trade talks*

*November 2017*

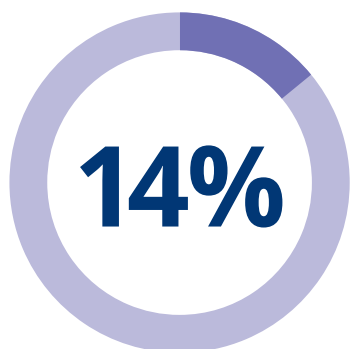
# Summary of the third CIPS Brexit survey with key findings



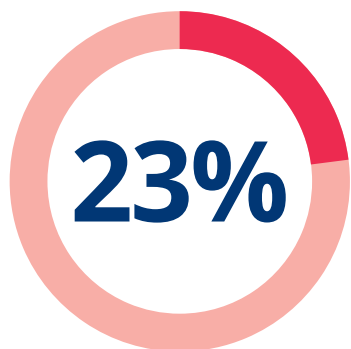
UK businesses who have increased their prices because of Brexit



EU supply chain managers say British products do not stand out



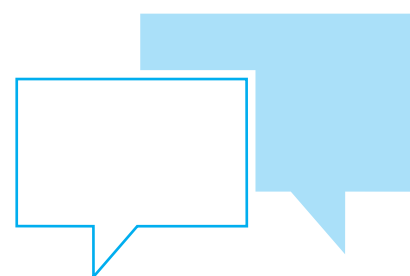
EU businesses with UK suppliers have moved parts of their business out of the UK



UK businesses plan to reduce their workforce

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

- 32% UK businesses who 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 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*

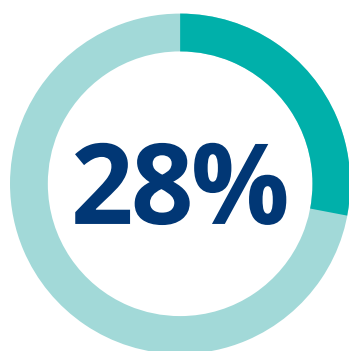
# Summary of the fourth CIPS Brexit survey with key findings



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

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.

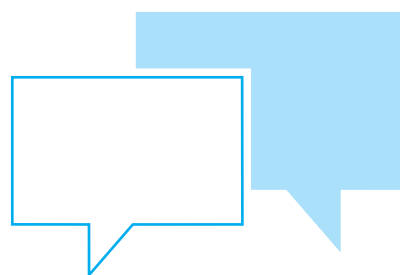
- 19% had found it difficult to secure business after March 2019
- 6% had lost business since the announcement to leave
- 6% were looking to recruit more UK citizens



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



*Delays of just half an hour at customs could cause one in ten businesses to go bankrupt*  
October 2018

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

## DELAYS OF JUST HALF AN HOUR AT CUSTOMS COULD CAUSE ONE IN TEN BUSINESSES TO GO BANKRUPT

One in ten UK businesses believe they would go bankrupt if goods were delayed by just 10-30 minutes at customs borders once the UK leaves the EU.

Expertise around managing customs and delays was of concern to UK companies as 14% were already upskilling their staff to understand any new arrangements. They were also building in wriggle room as 21% were building more adaptability into their contracts with suppliers to enable agile decisions once an agreement has been reached. Technology also featured highly where 12% were spending precious budget on digital supply chains and technological solutions to increase efficiency.

However, a high proportion of UK businesses were unclear about how long their goods and raw materials took to go through customs (56%) which would make planning more difficult. Almost a fifth (17%) knew they took between 30 minutes to an hour. 23% were planning to stockpile goods and 4% had already started.

When asked what effect Brexit has had so far, the highest response (48%) said there had been no impact, but they were expecting change shortly. 28% have added new clauses to allow prices to be re-negotiated following currency fluctuations. One in ten businesses (12%) have also switched suppliers as a result of Brexit and 21% have tried to protect their businesses by adding new contract clauses in case of increases in trade tariffs.

Almost a fifth (19%) had found it difficult to secure business after March 2019 and 6% had lost business since the announcement to leave.



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



When preparing for the UK's departure, 59% were still analysing the risks to their business and 35% were mapping the potential costs of new tariffs. When looking at their supplier bases, 35% were looking for alternative UK suppliers and 24% were looking for alternatives outside the EU. However, 27% showed they valued the contribution of EU supplies to their business by working to strengthen their relationship in Europe.

No great news for job seekers as only 6% of companies said they were looking to recruit more staff from the UK. Additionally half (50%) of UK businesses said they would struggle to find the skills and suppliers they need in the UK.

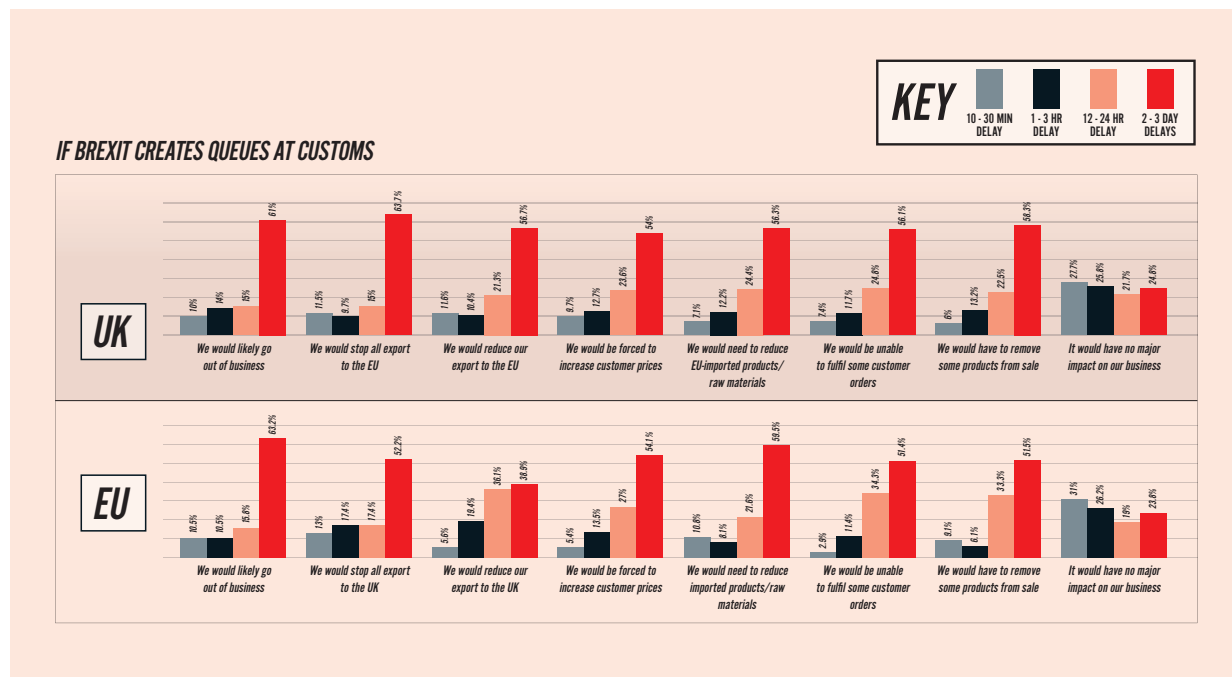
Businesses were also clear that working with a UK supplier would be more expensive than with an EU supplier (39%) but another 30% said it would make no difference.

With the question about their own skills in managing the Brexit process, 38% said they couldn't prepare as future arrangements were still unclear. A more positive 22% said they were working on implementing their Brexit plan and another 22% felt more pressured and said they were 'nowhere near ready'.

When asked about the Brexit white paper from the UK Government, 38% said it was a good attempt given the complexities, and 33% said it was flawed and unrealistic. Only 9% said they would prefer a no-deal scenario. Looking ahead, the sector's view on the future of global trade was that supply chains would become more expensive with 57% of respondents believing trade tariffs and restrictions would increase but 28% said investment in new technologies would reduce the burden on supply chains.

The fourth Brexit survey received 804 responses from UK businesses with EU supply chains. Almost three quarters worked in the private sector (69%), 29% in the public sector and 3% in not-for-profits.

Regionally, the greatest number of responses came from London and the South East (17% each), the South West was 13% of the respondents and North West 11%. The remainder of the regions making up the final count.



# What the fourth Brexit survey results revealed about individual sectors in the UK

## AEROSPACE AND DEFENCE

On the issue of customs delays the sector's responses were evenly spread, as 21% said they intend to stockpile goods and raw materials, but hadn't started yet compared to 3% who had begun. 21% were upskilling their workforce to cope with the customs process, 24% were building greater flexibility into new contracts and 15% said they were investing in new technologies to make improvements in their supply chains in preparation.

A rather surprising 50% said they had no idea how long on average it takes for their goods to clear customs.

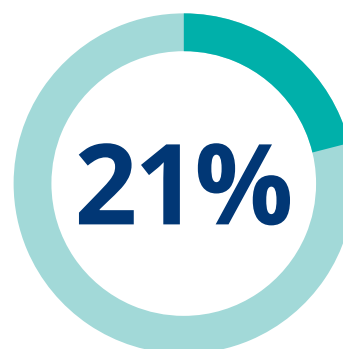
The sector was still largely in ambivalent mood as by far the largest number of respondents said there had been no impact yet as a result of the UK's decision to leave the EU but expected there to be in due course (64%). 16% said there had been no impact and didn't expect any.

The next highest response (32%) said currency fluctuations were still having an effect. Only 5% said their relationship with suppliers had become strained.

When asked how Brexit had affected their existing contracts, 53% said there has been no impact, 20% said new clauses had been added to contracts to allow for price negotiations to reduce the impact of the weaker pound. Almost a fifth (18%) said that they were having difficulties in securing contracts that ran after March 2019. A small percentage (2%) said they had won contracts as a result of Brexit, and 7% had lost contracts.



**Aerospace and defence companies will find it difficult to find skills in the UK**



**Aerospace and defence companies said they intend to stockpile goods**

In preparation for the UK's departure from the EU, 71% said they were still conducting risk analyses, 24% were mapping the potential costs of new tariffs and 31% were looking for alternative suppliers within the UK and 16% outside the EU. 22% of respondents said they are working to strengthen relationships with EU suppliers. Only 16% had done nothing to prepare for departure.

The issue of skills in the labour force were of deep concern for the sector, as 54% said they would struggle to find the skills they needed after Brexit and 33% said it would be more expensive to work with a UK supplier than an EU supplier. Though over a third (35%) said working with UK suppliers would be no different from working with EU suppliers.

When questioned about their own skills to navigate Brexit, 33% said future trade arrangements were still too unclear, 27% said they had done 'a few things' to prepare but are nowhere near ready. 18% said they were fully prepared compared to 13% that said they could do a lot to prepare and were implementing their Brexit plan.

The fourth Brexit survey received 71 responses from the aerospace and defence sector. All were located in the UK and working for private sector companies, 89% in large businesses, 10% in mid-market businesses, and 1% in small businesses.

Regionally, the greatest number of responses came equally from the South East and South West (28%), with 10% in the North West, 9% in the East Midlands, with the remainder of the regions making up the final count. Most had an international supply chain including some European suppliers (96%) with the remainder UK-only suppliers.

Some questions allowed respondents to select more than one answer, meaning that percentages do not always add up to 100. Percentages were either rounded up or down for ease of use.

## MANUFACTURING

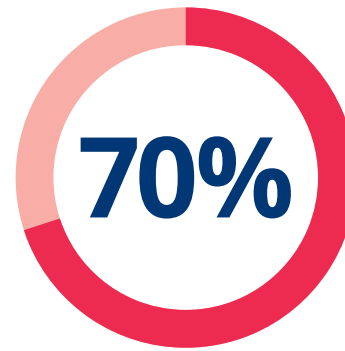
UK manufacturers are making plans to stockpile goods and raw materials (41%) with 5% having already started. In readiness for new customs arrangements, 21% said they were upskilling their staff and 11% were investing in technologies to improve efficiencies in supply chains and 18% were building greater flexibility into their new contracts.

To clear customs, manufacturers said that their goods take less than 30 minutes (19%) but 38% didn't know.

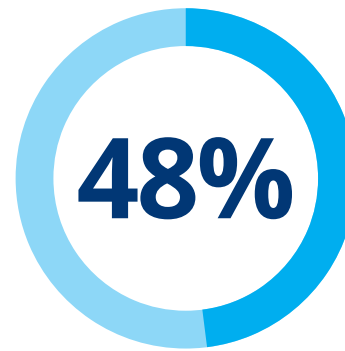
By far the largest number of UK respondents were still struggling with currency fluctuations making supply chains more expensive (70%) while 30% were renegotiating contracts with suppliers (30%), 40% said there had been no impact but they were expecting impacts in due course. Over a tenth (13%) said supplier relationships had become strained.

The manufacturing sector was relatively prepared for exit as almost a third (31%) had added clauses to their contracts to allow for price negotiations during currency fluctuation periods. New clauses had also been added to allow for price negotiations should trade tariffs increase (22%).

In preparation for the UK's departure, UK respondents said they were mapping potential costs of tariffs (46%), 62% were still performing risk analysis exercises, 48% were looking for UK suppliers and 32% were looking for suppliers outside of the EU. Only 3% were looking to employ more UK citizens and 9% had already moved parts of their business to another EU country.



**Manufacturers said currency fluctuations made their supply chains more expensive**



**Manufacturers were looking for UK suppliers**

Suppliers were once again under the spotlight as almost half of UK manufacturing businesses said they would look for reduced costs from suppliers (49%), a fifth (20%) would re-shore supply chains to the UK and 26% said they would base a greater part of their operations outside of the EU. One in ten said they would not be able to continue part or all of their operations (12%).

61% of UK manufacturers said they would find it difficult to find the skills they needed in the UK. Almost half (49%) said it would be more expensive to work with UK suppliers compared to EU and a positive fifth (21%) said it would be no different working with UK suppliers compared to EU suppliers. Only 5% said it would be less expensive to work with UK suppliers.

UK manufacturers still struggled to prepare for Brexit as 43% said future trade agreements were still too unclear but a quarter (24%) said they were currently working on implementing their Brexit plans.

When asked about the Brexit white paper from the UK Government, 46% of manufacturers said it was a good attempt to solve a difficult problem, 28% said it was flawed and unrealistic and only 2% said they preferred no deal. The sector's view of the future of global trade was significantly more expensive and complexity in supply chains as 65% said trade tariffs and restrictions would increase but 27% said new technologies would make supply chains easier to manage.

The fourth Brexit survey received 191 responses from the manufacturing sector – the largest number of all the individual sectors featured in this report. The majority (91%) were located in the UK and 9% in the EU but not the UK. All were working for private sector companies, 53% in large businesses, 36% in mid-market businesses, and 11% in small businesses.

The results for UK and EU respondents in manufacturing found most had an international supply chain including some European suppliers (95%) with 4% UK-only suppliers and 1% international supply chain but no European suppliers.

UK only respondents had an international supply chain with some UK suppliers (81%), 12% international and no UK suppliers, 6% were just using UK suppliers, 1% didn't know.

Some questions allowed respondents to select more than one answer, meaning that percentages do not always add up to 100. Percentages were either rounded up or down for ease of use.

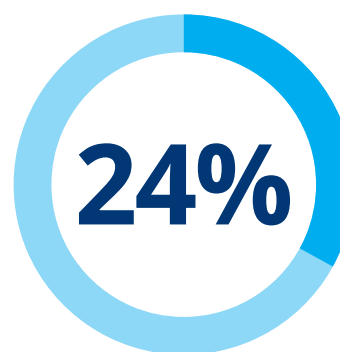
## ENERGY

UK energy companies were still challenged by currency fluctuations making supply chains more expensive (49%) while 24% were renegotiating contracts with suppliers and 51% said there had been no impact but they were expecting an impact soon. A smaller proportion (7%) said supplier relationships had become strained. 15% said there had been no impact on their business.

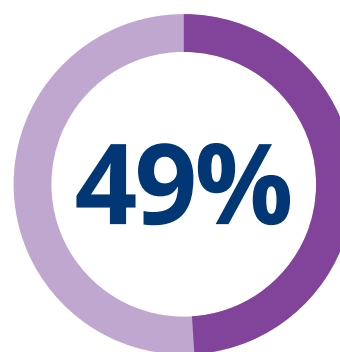
The energy sector was relatively prepared as over a third (34%) had added clauses to their contracts to allow for price negotiations during currency fluctuation periods. Another third said new clauses had also been added to allow for price negotiations should trade tariffs increase (34%).

In preparation for the UK's departure, UK energy respondents said they were mapping potential costs of tariffs (42%), 63% were conducting risk analyses, 24% were looking for UK suppliers and 29% were looking for suppliers outside of the EU. Only 7% were looking to employ more UK workers and 5% had already moved parts of their business to another EU country. Over a third were making efforts to strengthen ties with European suppliers (37%).

46% of UK businesses said they would find it difficult to find the skills they needed in the UK. Over a third (37%) said it would be more expensive to work with UK suppliers compared to EU contacts and almost half (44%) said it would be no different working with UK suppliers compared to EU suppliers.



**UK energy companies were renegotiating contracts with suppliers**



**UK energy companies said currency fluctuations were making supply chains more expensive**

The fourth Brexit survey received 59 responses from the energy sector. All were working for private sector companies.

The results for the UK energy sector found most respondents had an international supply chain including some European suppliers (93%) and 7% with UK-only suppliers.

Some questions allowed respondents to select more than one answer, meaning that percentages do not always add up to 100. Percentages were either rounded up or down for ease of use.

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

## AS A RESULT OF THE UK'S DECISION TO LEAVE THE EU, 38% OF EU SUPPLY CHAIN MANAGERS ARE LOOKING FOR ALTERNATIVE SUPPLIERS OUTSIDE THE UK.

With Brexit on the horizon, EU supply chain managers are either looking for suppliers within the EU (38%), mapping potential costs of tariffs (31%) or strengthening existing links with the UK (26%). Almost a third said that working with an EU supplier would be cheaper than with a UK supplier (32%) and 47% said there wouldn't be any difference. The issue of skilled labour was in evidence in the EU as well as the UK as 18% said they would struggle to find the skills and suppliers they needed.

The longer-term outlook sees Europe turning towards opportunities closer to home as the survey revealed that 35% of EU supply chain managers would re-shore part or all of their supply chain within the EU. However, they were also unconvinced of success as 18% said their business would no longer be viable post-Brexit. Suppliers would also be placed under additional pressure as 23% of managers said they would expect input costs to be reduced.

On the issue of customs delays the sector's responses were evenly spread, as 22% said they intend to stockpile goods and raw materials, but hadn't started yet while 6% had already started. 24% were upskilling their workforce to cope with the customs process, 22% were building greater flexibility into new contracts and 10% said they were investing in new technologies to make improvements in their supply chains.

In line with the UK, 38% said they had no idea how long on average it takes for their goods to clear customs. Over a tenth (12%) said less than 30 minutes, another 12% said between 1-3 hours and 6% said between 12-24 hours. If there were delays of 2-3 days 63% said they would likely go out of business.



One in ten EU supply chain managers have moved all, or part of their businesses out of the UK.

The fourth Brexit survey received 76 responses from EU supply chain managers with UK suppliers. 74% worked in the private sector, 20% in the public sector and 5% were non-profits. Most were in large organisations (80%), 15% in mid-market businesses, and 5% in small businesses.

Regionally, the majority of responses came from Western Europe (37%), with 28% from Central Europe, 20% in Southern Europe, with the remainder of the regions making up the final count. The manufacturing and engineering sectors were the highest responders with 24%, 19% in energy and utilities, and 11% in the food industry.

# 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 subcontracted 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](http://www.cips.org/knowledge)
- [www.supplymanagement.com](http://www.supplymanagement.com)



# Duncan Brock, Group Director, CIPS



With the almost daily changes in the Brexit negotiations and the transition period extending out ever further, this must be one of the most challenging times for procurement and supply management professionals in the modern age. And the results of our fourth survey certainly bear that out.

Comparing these results with earlier surveys, I'm not sure much has changed, but it's clear that uncertainty and confusion bring the worst of all possible scenarios. Doubt and indecision has taken hold, with decision-makers delaying orders, and business owners hesitating to expand in case the future trading landscape offers more challenges than anyone hopes for.

Because those challenges are very real; our survey found that UK businesses suffering just a half hour's delay at customs could mean that one in ten of them could go bankrupt. That's astonishing but at the same time unsurprising. Given the sophistication and lean principles on which our global supply chains are built, these considered, planned routes could become a lot more convoluted which impacts negatively on anything from food to medicines, and ultimately, us. Recent research from The National Audit Office confirms the impact. UK border controls will not be ready either in terms of skilled staff, essential IT systems or the infrastructure to track goods passing. Which means all the supply chains we rely on won't work, as well as they once did.

As a professional body, high-quality skills, qualifications and support for our members is at the heart of what we do. Half of the survey respondents working for UK businesses said they would struggle to find the right suppliers and the right skills after Brexit. We must re-double our efforts so supply chain

managers have what they need to navigate through the next stages of what Brexit will eventually mean.

Of course, there were some positives from the results and from the Brexit process. A fifth of UK supply chain managers were using their contract management skills to adapt their supplier contracts, to build in the flexibility they need to keep goods moving and to keep their promises to their stakeholders. This highlights the value this profession brings to the efficiency and health of an organisation and how trained professionals will be in demand more now than ever before as the challenges increase.

It was also good to read that technology is playing a bigger part in supply chain management as one in ten businesses are investing in future capability and digital processes. Discussions around the use of block chain technology feel like they are still in their infancy, but even small changes in digital tracking for instance can make a big difference to gridlocked supply chains.

As trained professionals we are the trailblazers for our enterprises, the guardians of the goods and services that drive the goals of our business and this is no time to allow an indeterminate future deter us from driving value in our supply chains; even if we have to be more tenacious and creative to do it.

We are indebted to the procurement community for taking the time and effort to give their honest views on what Brexit means for them and the business they're trying to support. Keep the conversations going on, as sharing good practice and success means everyone benefits. Now is the time to debate honestly and openly about what happens next.

*October 2018*

# 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.

## ***Next CIPS Brexit survey – launching next year***

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 future surveys in 2019 and join the debate.

# *CIPS Position on Brexit*

With Brexit negotiations underway, CIPS have taken a view of areas of impact that are affecting the day to day operations of Procurement and Supply chain specialists.



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