

# *The Brexit storm*

All the results from the  
CIPS Brexit surveys and other  
issues such as late payments

January 2020





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Friday 29th March 2019 came and went as did Thursday 31st October and the UK still remains a member of the EU.

Despite a decisive Brexit result on the 12th of December, UK businesses will continue to pay the very high price associated with Brexit uncertainty as consumers and customers alike stop spending.

However, not everything is in a state of paralysis. For instance, there have been a number of important developments since our last Brexit report. On the positive side it would appear that more UK businesses are prepared for a Brexit in the near future, having received extra breathing space as a result of political delays. To bolster efforts, the government has also delivered a 'step change' in the preparedness of the UK economy and the efforts of Michael Gove's team in this respect should not be underplayed. However, there is still a long way to go and much clarity is still needed so we're not out of the woods yet. With the Withdrawal Agreement likely to be approved in the coming weeks, the industry now awaits the outcome of the trade talks with the EU. It should be noted that the questions in the report were put to the supply chain industry before the outcome of the election and therefore when a no-deal was a much more present possibility.

According to our research, whilst 40% of UK firms feel that they are not prepared for Brexit, the majority (60%) are, which is a much higher figure than was the case in March 2019. The downside of this readiness is that UK firms are carrying the cost of increased inventory (stocks) and putting customs clearance capability in place. These preparations are effectively lying idle in relation to trade with the EU, resulting in tied-up budget that could be usefully deployed elsewhere.

This means British business will start to incur the cost of delayed transit of finished goods to customers in Europe, along with their associated penalties. There will also be an increase in unaccompanied trade as foreign hauliers refuse to bring their lorries onto the UK mainland potentially with increased demurrage costs.

At a macro-economic level, the increased uncertainty associated with Brexit is dampening consumer and investor confidence. This has caused the UK economy to enter a period of unspectacular economic growth although, at the time of writing, the good news is that we have avoided going into recession.

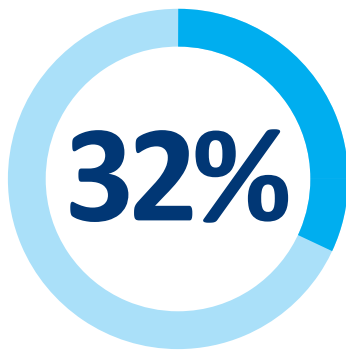
Beyond Europe the global economy is also entering a period of slow growth, with the US slowing down after the post-election 'Trump boom'. Trade wars most notably between the US and China are delivering a slowdown in international trade and are creating hesitancy and prevarication as clients avoid placing orders. So, it is vital at this point in time that the international community co-operates to sustain the growth in trade that has occurred since World War II and which has driven the prosperity of developed and emerging economies for the decades since.

In conclusion, whatever the next steps are for Boris's newly re-elected government, it is clear that British businesses crave greater certainty with respect to Brexit so they can tackle the challenges that are put before them in the new economic landscape. The potential irony is that any certainty which is delivered with respect to Brexit will mean little because British business will be facing the bigger challenges that the global economy is presenting to us. Challenges which the UK's current obsession with Brexit may have caused us to neglect.

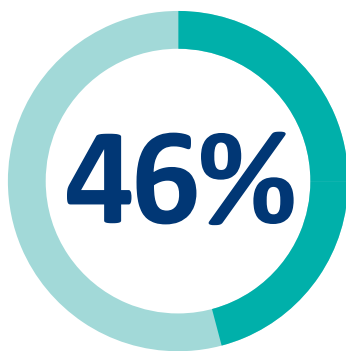
## *About the survey*

Since 2017 CIPS has been running regular surveys about Brexit with the procurement community. The sixth survey findings were drawn from 817 supply chain managers from the UK and the EU. The survey ran from 19th August to 2nd September 2019 and the respondents were asked about their views, reactions and preparations for Brexit. There were 714 UK businesses and 103 EU businesses. Questions varied slightly between all the surveys, depending on economic and political developments in the UK and EU.

# Summary of the first CIPS Brexit survey with key findings



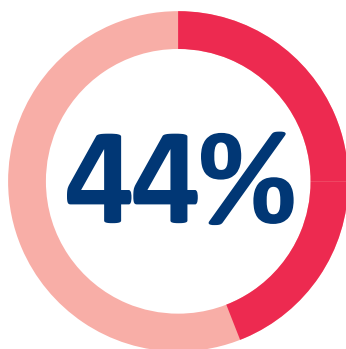
UK businesses who use EU suppliers are looking for British replacements



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.

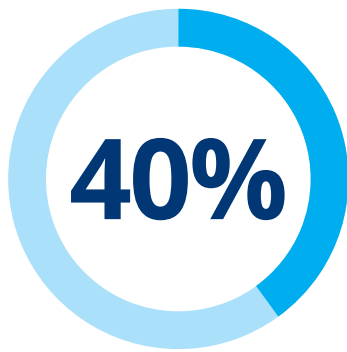
- 32% of UK businesses who use EU suppliers are looking for British replacements
- Nearly half (46%) of European businesses expect to reduce their use of UK suppliers
- 36% of UK businesses plan to respond to Brexit by beating down supplier prices
- The UK's "weak negotiating position" is seen as the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



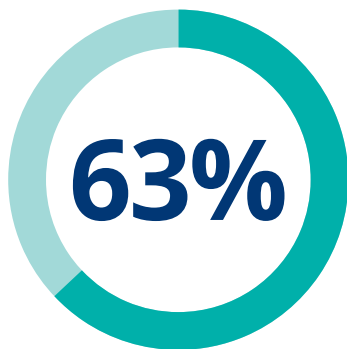
***“The UK’s “weak negotiation position” is seen as the biggest hurdle in trade talks”***

*May 2017*

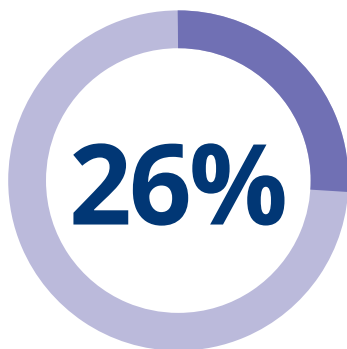
# Summary of the second CIPS Brexit survey with key findings



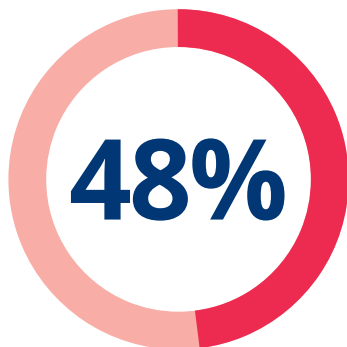
UK businesses who use EU suppliers are looking for British replacements



European business locating supply chains outside UK



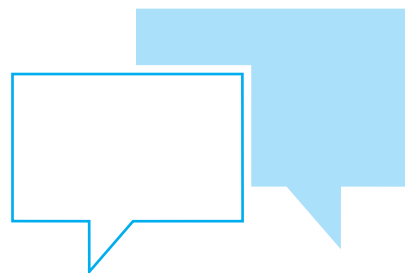
UK business finding suppliers outside EU



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.

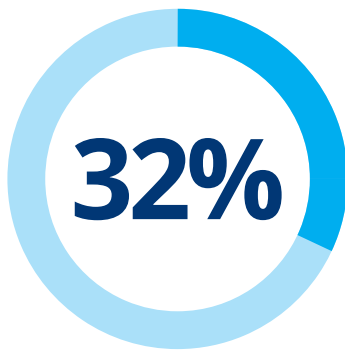
- 40% of UK businesses who use EU suppliers are looking for British replacements
- 63% of European businesses expect a bigger portion of their supply chains will be outside of the UK
- 14% of UK businesses with EU suppliers say part or all operations will cease to exist
- The UK's "lack of clarity on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



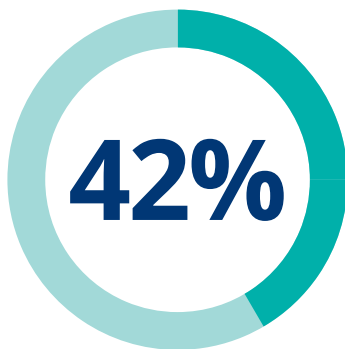
***“The UK’s “lack of clarity” is the biggest hurdle in trade talks”***

*November 2017*

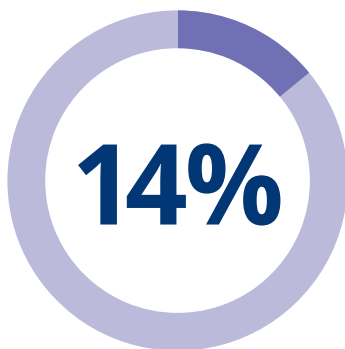
# Summary of the third CIPS Brexit survey with key findings



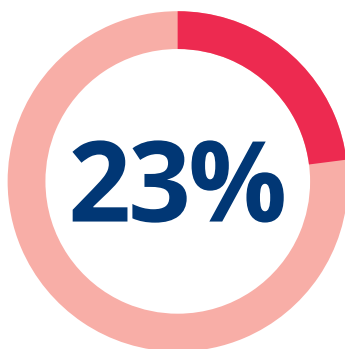
UK businesses who have increased their prices because of Brexit



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*

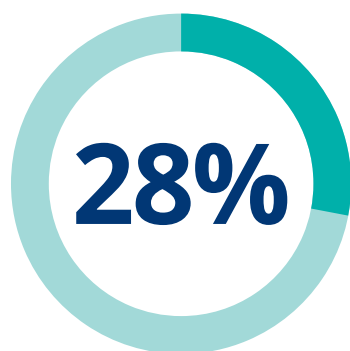
# Summary of the fourth CIPS Brexit survey with key findings



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

UK 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.

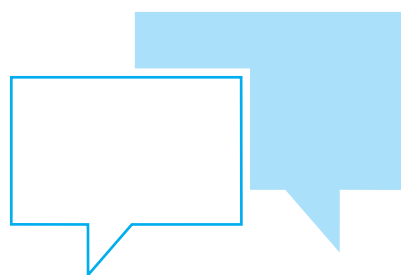
- 19% found it difficult to secure business after March 2019
- 6% lost business since the announcement to leave
- 6% were looking to recruit more UK citizens



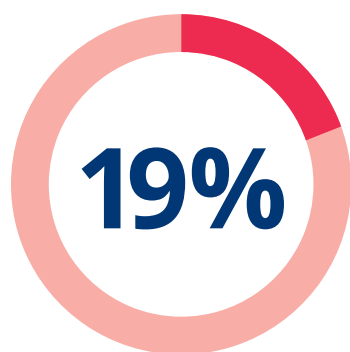
UK businesses would stockpile goods to alleviate impact of customs delays



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

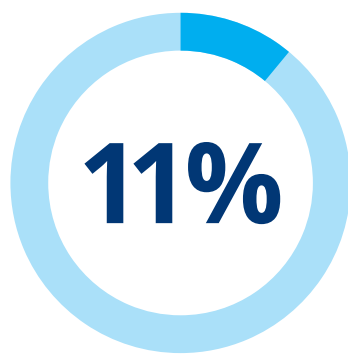


***“Delays of just half an hour at customs could cause one in ten businesses to go bankrupt”***  
*October 2018*



Found it difficult to secure business

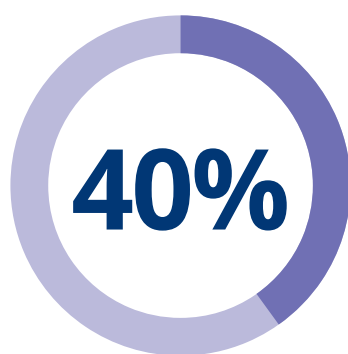
# Summary of the fifth CIPS Brexit survey with key findings



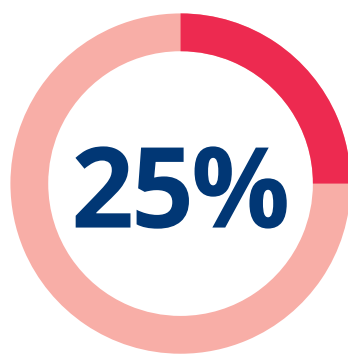
UK exporters could have contracts cancelled as a result of border delays



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.

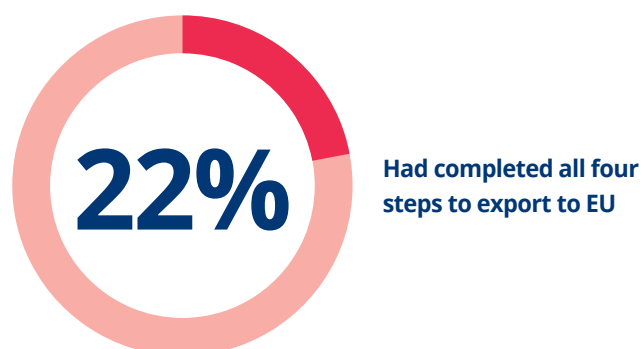
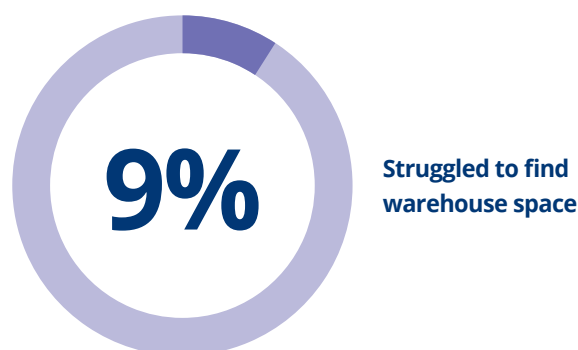
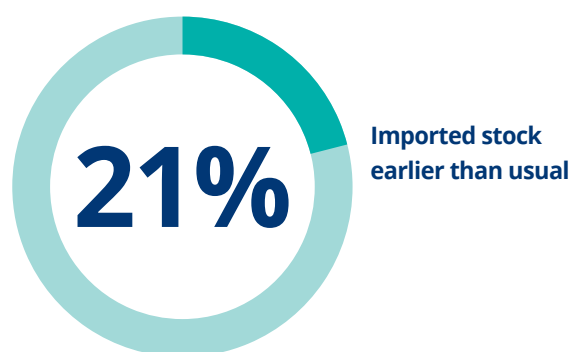
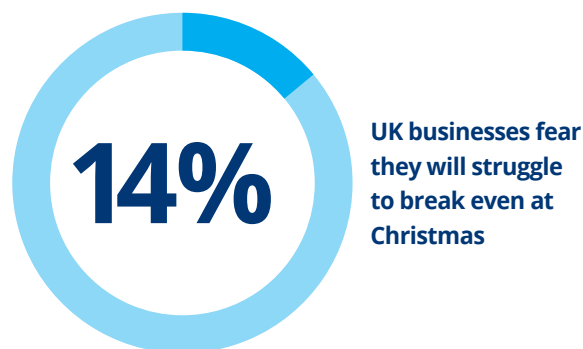
- 20% of EU businesses would push their UK suppliers for a discount on their order if there was just one day's delay
- 11% of UK exporters would expect their contract to be cancelled outright by their clients in the event of delays
- A quarter (25%) of European businesses would withhold payment until 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).



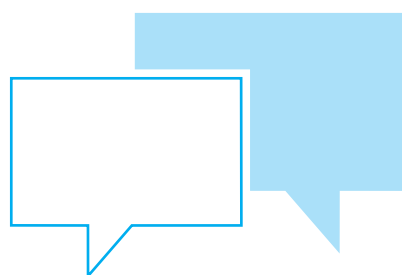
***“UK exporters will foot the bill for Brexit border delays”***  
*February 2019*



# Summary of the sixth CIPS Brexit survey with key findings



- 14% of UK businesses believed it would be difficult to break even at Christmas 2019
- 21% UK businesses had taken steps to protect their supply chains, by importing their Christmas stock earlier to avoid border disruption
- 48% of UK businesses with Christmas preparations were unaffected by Brexit
- 21% said that moving the deadline from March to October had made their Christmas preparations more difficult
- 22% of UK companies with EU suppliers had completed all four steps necessary to export to the EU
- 38% of UK businesses with EU suppliers had already added 'Brexit clauses' to their contracts, allowing prices or other terms to be re-negotiated in the case of a rise in trade tariffs and increase in costs.

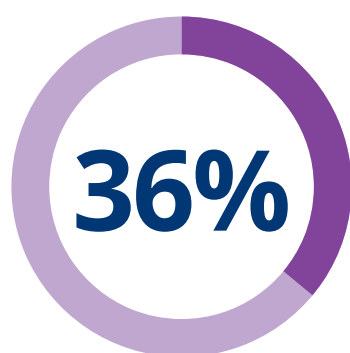


***“UK businesses fear for Christmas supplies as Brexit disruption hits”***  
*October 2019*

# The case for UK and EU business: summary of findings from supply chain managers

## THE BREXIT IMPACT

Supply chain managers in UK private companies 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 33.8% said that new clauses had been added to allow prices or other terms to be renegotiated if trade tariffs increased. 31.2% said that clauses in contracts had been added to allow prices to be renegotiated following currency fluctuations. 34% said there had still been no impact on their business and 16.7% said they had switched suppliers as a result of Brexit, with 16.7% saying they found it difficult to secure contracts that ran after October 2019. 7.8% said they had lost contracts as a result of Brexit and 3.5% said they had won new contracts because of Brexit. 'Other' made up the remainder of 11.3%.



**New clauses had been added to allow prices or other terms to be renegotiated if trade tariffs increased**

## FAIL TO PLAN, PLAN TO FAIL

Here are the collective results from UK and EU supply chain managers as they were questioned about their plans for Brexit, whether their approach was stockpiling, switching suppliers or revising their supply chains completely.

The highest response at 34.2% came from supply chain managers stockpiling their goods and raw materials in the event of a hard Brexit or continuing political uncertainty. This was also the highest response in the last (fifth) survey.

This was closely followed by 31.2% of respondents who said they were looking at alternative routes and ports or other transportation to avoid getting caught in queues at ports. Almost a quarter at 17.4% said they felt unable to prepare for Brexit as the political and economic situation was still too uncertain and 12.4% said they were planning to suspend some or all of their operations if disruptions occurred. As the threat of more red tape and higher tariffs loomed, 10.4% said their organisation had hired specialist staff to manage their customs arrangements. 12.9% said they just didn't know what their plans were.

To counteract potential disruption, 14.6% 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. 26.4% of supply chain managers had already re-shored some of their operations to the UK or EU respectively.

## NEW WAYS, NEW CUSTOMS

In a previous question, it was clear that some supply chain managers had employed specialist support to understand the potentially new customs arrangements as a result of Brexit. We wanted to know more and to what extent this additional support was required.

The biggest response at 37.7% was that no additional support was required, possibly because there is still a lack of clarity around what any new customs arrangements could be. 14.9% said they had looked for and found a customs broker they were now working with. Another 3.9% said that they had looked for assistance from a customs broker, but due to a lack of availability, were unable to secure support. Other supply chain managers were still in a planning phase and were hoping to look for support when the time was right and 11.4% said they had not looked for additional support but were hoping to do so. 36.9% said 'none of the above'.

## ANY PORT IN A STORM

In the summer of 2019, the UK Government announced plans to create up to ten free ports across the UK after Brexit.

Free ports allow companies to import goods and then re-export them outside normal tax, paperwork and customs rules. This is not a new idea and the last time the UK had a free port was in 2012 in Southampton, when the current licence was not renewed. Some critics say free ports encourage tax dodging and increase the possibility of counterfeit goods circulating in the economy.

CIPS asked supply chain managers in the UK and the EU how effective free ports would be in minimising disruption to supply chains at the borders.

At the time of asking, the majority at 22.3% said the ports would not be created in time to have any impact on their business. Another 21.5% said they believed there would be no impact or advantage to their operations. Another 16.3% said free ports were a good idea and they would reduce the amount of disruption 'significantly'. Others were not so optimistic. 15.9% said freeports would merely push issues elsewhere creating problems in other areas of the supply chain. A relatively minor 4.6% said freeports would increase supply chain disruption. 19.4% didn't know.

## DISTANT DECLARATIONS

In an attempt to minimise potential disruptions, the UK Government has looked at a number of proposals to stop ports getting clogged up with traffic and goods. One such idea was to make space for customs declarations to be completed away from the UK ports in other designated areas. CIPS asked how effective this particular proposal would be in minimising disruption to the respondents' business supply chains.

The biggest response at 24.5% was a positive one as 128 supply chain managers said it would significantly reduce the amount of disruption experienced. Almost a fifth (19%) were not so delighted with the idea and suggested that this idea would only create problems elsewhere in their supply chains and was not a complete solution. Another 12.8% said this proposal would have no impact and 7.3% believed there would be increased disruption. Another 14.9% said there was too little time to be introduced properly, so the proposal would have an effective impact on their supply chain operations. 21.5% didn't know.

## FROM SHIP TO SHORE WITH NO CHECKS

Another proposal on the table suggested that to speed up the delivery of goods, shipments could be waived through UK customs without any formal checks. Again supply chain managers were asked whether this particular idea would benefit their operations and minimise disruption to their supply chains.

A large response at 29.6% said this was just kicking the can down the road and would result in other problems in other parts of the supply chain. Another 26.2% came from those supply chain managers who believed that this proposal would reduce disruption by a large margin.

A minority of responders (10.7%) said 'no impact'; it will increase the disruption (7.5%) and it will not be introduced in time to have an impact (7.5%). 17.4% said they didn't know what the result of this initiative would be.

## CHRISTMAS IS CANCELLED

Many businesses in the UK and EU have to plan well ahead for the festive season, with many months of planning and stock building before Christmas arrives. As an important holiday in the UK, CIPS wanted to understand how the disruption of Brexit preparations were likely to impact the season. This data was gathered in August 2019, before the outcome of the election and subsequent developments.

Luckily for our respondents, the vast majority were unaffected in their Christmas preparations (64.2%). A further 52.1% had made more detailed plans and had reduced their risk to the disruptions by using more UK-based suppliers, where some supply chain managers were unable to find all the suppliers they needed in their region (13.1%).

Others had used the gift of time and imported earlier to prevent disruptions (11.6%) but this wasn't the solution for everyone. Some supply chain managers found the difficulty of finding affordable warehouse space meant there was too much to risk buying stock they were then unable to store (3.3%). There were also issues of stock availability as 2.9% struggled to get the supplies they needed.

As the deadline in 2019 was shifted from March to October, some businesses were more affected than others as 8.6% said the change in departure had made 'the situation worse for us.' Some businesses were faced with the fact that they would be unable to break even in Christmas 2019 (4.2%) and others were worried that they just wouldn't be ready for the festive season as a result of Brexit (4.9%).

With the 31 October deadline still in mind at this time, we asked supply chain managers how their Christmas supply chains would be impacted if World Trade Organisation tariffs were introduced.

Almost one in ten came from the 'don't knows' at 9.7% as uncertainty, hesitation and indecision took a grip on business planning. Over a third of respondents said they had imported everything they needed (21.5%) and were prepared for Christmas business. Another 25.5% said that as their suppliers were based mostly in their region, their Christmas supply chains would not be impacted.

Others were not so fortunate and were struggling to cope with the disruption as 3.8% said they would not be able to meet Christmas demand for their goods and another 8.8% said there would be less stock for sale this Christmas. The cost of disruption was also rising for some companies and 5.7% said they would have to raise prices for consumers to cover any additional costs incurred. Others (6.3%) were sure they were likely to make a loss in Christmas 2019.

As we discovered in previous Brexit surveys completed by CIPS members, professionals and other supply chain professionals, customers were likely to react negatively if Brexit indecision resulted in delays to the delivery of their goods, with 6.1% expecting to pay late. A small number of supply chain managers said they would have to rely on paying their suppliers late to bridge any gaps in cash flow if supplies arrived later than anticipated (4.3%). The potential knock-on effect was likely to be extensive for some businesses as 12% of supply chain managers believed they would ultimately lose contracts with their suppliers as a result of problems in supply chains, late delivery or getting stuck at customs.

# And other issues...

## THE SCOURGE OF LATE PAYMENTS – INSIGHT FROM UK AND EU COMPANIES

Aside from the Brexit situation, we asked supply chain managers about their views and experiences of late payments in the UK and what they believed were the impacts on business.

We posed some fixed solutions to how to tackle late payments where we asked supply chain managers to comment on whether the proposal would be:

- Counter productive
- Have no or minimal impact
- Would decrease late payments
- Could significantly reduce late payment; or
- Didn't know

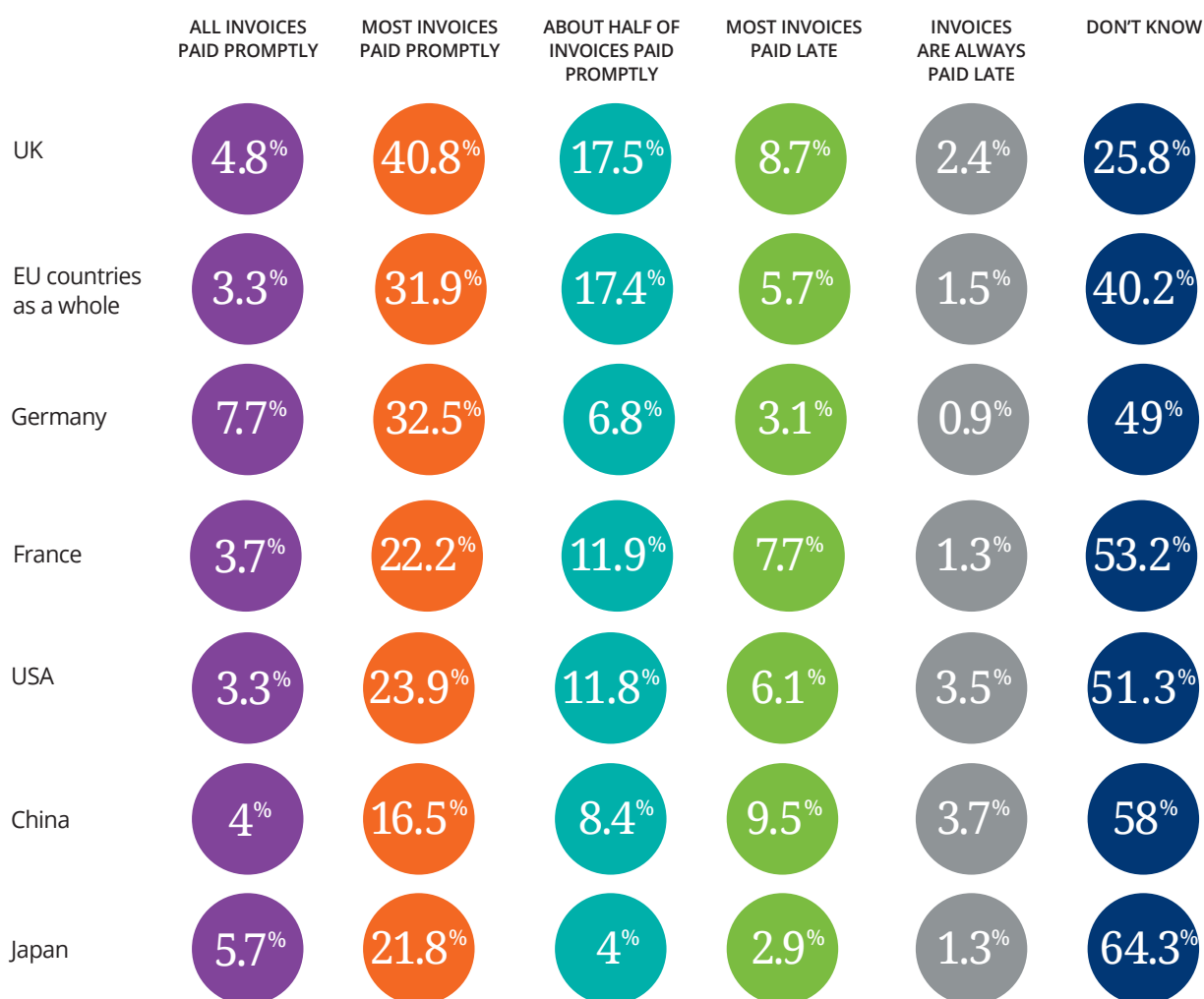
SOLUTION/ RESPONSE	COUNTER PRODUCTIVE	NO OR MINIMAL IMPACT	WOULD DECREASE LATE PAYMENTS	COULD SIGNIFICANTLY REDUCE LATE PAYMENT	DON'T KNOW
Naming and shaming late payers	17.4%	26.5%	24.3%	22.4%	9.3%
Fines for serial late payers	15.3%	15.1%	26%	33.6%	10%
Removing companies from the Prompt Payment Code	8.5%	28.8%	25.1%	23.5%	14.2%
Prevent serial late payers from bidding for Government contracts	10.2%	12.6%	25.7%	37.5%	13.9%
Holding company boards legally responsible for payment terms	7%	14.6%	28.1%	37.9%	12.4%
More guidance to help SMEs invoice correctly	3.3%	27.4%	29.5%	26.3%	13.6%

## LATE PAYMENTS IN EUROPE AND INDIVIDUAL COUNTRIES

The UK Government's Office of the Small Business Commissioner (SBC) was created in December 2017 to ensure fair payment practices for the UK's small businesses, and cultural change in Britain's payment practices. The office offers support and guidance to small businesses struggling with resolving pay disputes with larger corporates. According to the Federation of Small Businesses, 50,000 SMEs go bankrupt each year as a result of delayed payments.

The SBC has already challenged the poor payment practices of BUPA, Zurich Insurance PLC and Sambro International Ltd with full reports available to the public highlighting inefficient internal processes and inadequate late payment interest.

We wanted to know the extent to which invoices were paid late in the UK across Europe and individual countries.



## THE CULTURE OF LATE PAYMENTS

To support understanding of what late payment actually means in the UK, we asked UK respondents from private companies how they characterised the culture of business payments in their region and why corporates extended into long payment terms.

The largest response at 45.6% came from supply chain managers who believed many late payments were intentional. Large corporates chose to force long payment terms on their suppliers because they knew they could get away with hanging on to their cash for longer. Others were more philosophical as 28.1% said long payment terms were just 'the cost of doing business.' When looking at solutions to improve poor payment practice, stronger regulation has often been mooted as a potential solution. When asked about this, 16.5% of supply chain managers said that culture was the driver behind late payments and that 'no amount' of regulation would resolve the issue. Others were more positive suggesting that good intent was behind the inability to pay on time and that 'most businesses' are reasonable with their payment terms (27.4%) and 28% said most businesses they dealt with tried to pay promptly.

When assessing their own organisation's attempts at prompt payment practices, the biggest response at 46% of respondents said they always paid their suppliers promptly. The next highest response at 27.5% was from respondents who said that they use longer payment terms to manage the cashflow of their business.

Some blamed their late payments on the shortcomings of technology (19.6%), while others said their payments would be on time if only their customers paid them on time too (7.2%).

Another 7.2% said they would even improve their payment terms if others did likewise. 9.4% said they were not responsible for payments terms and that they were the responsibility of another department.

The issue of late payments not only breaks small businesses but can also make productive business relationships more difficult, and 14.8% of respondents admitted that their payment terms had strained their relationships with suppliers.

Almost half of supply chain managers said they always pay their suppliers promptly (45.2%). 2.5% said they didn't know whether suppliers were paid on time or whether their processes were good or failing.

This part of the sixth Brexit survey received 817 responses from UK and EU businesses with international supply chains. There were 714 UK respondents and 103 EU respondents.

From the UK respondents – 22% from London, 16% from the South East, 10% in South West, 9% West Midlands, 7% East Midlands, 5% East of England, 3% North East, 8% North West, 7% Yorkshire and Humber, 2% Northern Ireland, 6% Scotland, 4% Wales.

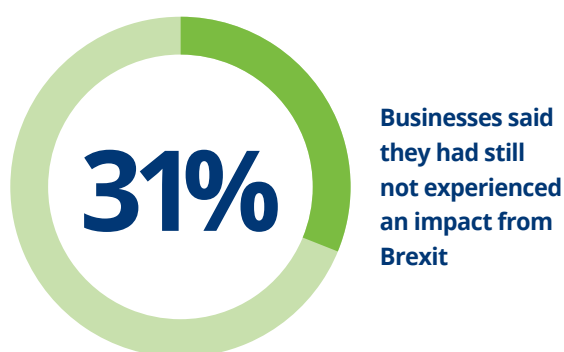
From the EU respondents – 52% from Western Europe, 20% Central Europe, 10% Eastern Europe, 5% Northern Europe, 13% Southern Europe

63% of the total respondents came from the private sector, 32% from the public sector and 4% from not-for-profits.

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

## THE BREXIT IMPACT

Supply chain managers in the UK were asked about the effect Brexit was continuing to have on their business and sourcing decisions. This was a repeat question also asked in the other surveys. The biggest response at 37.7% said that new clauses had been added to allow prices or other terms to be renegotiated if trade tariffs increased. 32.9% said that clauses in contracts had been added to allow prices to be renegotiated following currency fluctuations. 31% said there had still been no impact on their business and 15.6% said they had switched suppliers as a result of Brexit, with 17% said they found it difficult to secure contracts that ran after October 2019. 7.2% said they had lost contracts as a result of Brexit and 3.4% said they had won new contracts because of Brexit. 'Other' made up the remainder of 13.3%.



## SIGNED, SEALED, DELIVERED

It became clear from the results that mitigation of risk was an important aspect to supply chain management, as the highest response was around re-negotiating current terms with suppliers as Brexit negotiations continued. 37.7% said that new clauses had been added to contracts to allow for terms to be re-negotiated if there were significant changes to the level of trade tariffs imposed. Another third (32.9%) had new clauses added to contracts following currency fluctuations. As uncertainty continued, 17% said hesitancy amongst clients made getting contracts over the line more difficult and 7.2% had lost contracts as a result of Brexit. To maintain continuity in their supply chains, 15.6% of supply chain managers chose to change suppliers as Brexit disrupted their operations.

On the other hand, there were opportunities to be had and 3.4% said they had won new contracts as a result of the UK planning to leave the EU.



## FAIL TO PLAN, PLAN TO FAIL

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

The highest response at 42.6% came from supply chain managers stockpiling their goods and raw materials in the event of a hard Brexit or continuing political uncertainty. This was also the highest response in the last (fifth) survey. Finding suitable space to store stockpiled goods continued to be an issue, as 5.6% were unable to secure suitable warehousing.

To mitigate against disruption 37.8% of respondents who said they were looking at alternative routes and ports or other transportation to avoid getting caught in queues at ports. Almost a quarter at 21% said they felt unable to prepare for Brexit as the political and economic situation was still too uncertain and 5.1% said they were planning to suspend some or all of their operations if disruptions occurred. As the threat of more red tape and higher tariffs loomed, 11.4% said their organisation had hired specialist staff to manage their customs arrangements. 12.5% said they just didn't know what their plans were.

To counteract potential disruption, 14.1% 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. 16.2% of supply chain managers had already re-shored some of their operations to the UK.

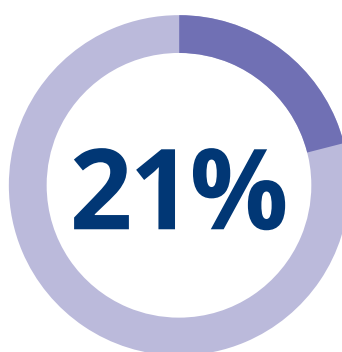
## NEW CUSTOMS ARRANGEMENTS IN THE EVENT OF A NO-DEAL

Regulation changes and new legislation are both central to managing supply chains effectively and trained procurement professionals are the go-to for how this affects business and organisations. As the UK had still not left the EU, CIPS wanted to understand how prepared businesses were to trade with the EU in the event of a no-deal.

In the survey CIPS 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.

The highest response at 22.9% showed supply chain managers were fully prepared and were ready to complete all the four steps. The second highest response (22.1%) said that not only were they ready, they had already completed all four steps. Around one in ten (10.1%) said they were not ready, but were confident that they could complete all the necessary steps.

Almost one in ten, a concerning 8% said they were aware of the requirements of new customs arrangements, but did not know how to complete all four steps. Another 3.2% said they would not have the capability to complete the steps and 14.6% said that they were both unaware and also would not know how to complete requirements.



**Supply chain managers unable to prepare for Brexit**

## NEW WAYS, NEW CUSTOMS

In response to a previous question, it was clear that some supply chain managers had employed specialist support to understand the potential new customs arrangements as a result of Brexit. We wanted to know more and to what extent this additional support was required.

The biggest response at 34.9% was that no additional support was required, possibly because there is still a lack of clarity around the detail of what any new customs arrangements could be. 15.7% said they had looked for and found a customs broker they were now working with. Another 4.3% said that they had looked for assistance from a customs broker, but due to a lack of availability, were unable to secure support. Other supply chain managers were still in a planning phase and were hoping to look for support when the time was right.

## ANY PORT IN A STORM

In the summer of 2019, the UK Government announced plans to create up to ten free ports across the UK after Brexit.

Free ports allow companies to import goods and then re-export them outside normal tax, paperwork and customs rules. This is not a new idea and the last time the UK had a free ports was in 2012 in Southampton, when the current licence was not renewed. Some critics say free ports encourage tax dodging and the possibility of counterfeit goods circulating in the economy.

CIPS asked supply chain managers in the UK how effective free ports would be in minimising disruption to supply chains in the event of a no-deal.

The majority at 23.1% said the ports would not be created in time to have any impact on their business. Another 20.2% said they believed there would no impact or advantage to their operations. Another 17.2% said free ports were a good idea and they would reduce the amount of disruption 'significantly'. Others were not so optimistic. 16.1% said freeports would merely push issues elsewhere creating problems in other areas of the supply chain. A relatively minor 4% said freeports would increase supply chain disruption.

## DISTANT DECLARATIONS

In an attempt to minimise potential disruptions, the UK Government has looked at a number of proposals to stop ports getting clogged up with traffic and goods. One such idea was to make space for customs declarations to be completed away from the UK ports in other designated areas. CIPS asked how effective this particular proposal would be in minimising disruption to the respondent's business supply chains.

The biggest response at 26.6% was a positive one, as almost 100 UK supply chain managers said it would significantly reduce the amount of disruption experienced. A fifth were not so delighted with the idea and suggested that this idea would only create problems elsewhere in their supply chains. Another 8.9% said this proposal would have no impact and 6.2% believed there would be increased disruption. Another 16.8% said there was too little time for the system to be introduced properly, while 21.1% didn't know.

## FROM SHIP TO SHORE WITH NO CHECKS

Another proposal on the table suggested that to speed up the delivery of goods, shipments could be waived through UK customs without any formal checks. Again, supply chain managers were asked whether this particular idea would benefit their operations and minimise disruption to their supply chains.

The largest response at 32.2% said this was just kicking the can down the road and would result in other problems in other parts of the supply chain. The second largest response at 28.5% came from those supply chain managers who believed that this proposal would reduce disruption by a large margin. Other responses included 7.9% for 'no impact'; it will increase the disruption (7%) and it will not be introduced in time to have an impact (7.9%). 16.5% of respondents said they didn't know what the result of this initiative would be.

## CHRISTMAS IS CANCELLED

Many businesses have to plan well ahead for the festive season, with many months of planning and stock building before Christmas arrives. As an important holiday in the UK, CIPS wanted to understand how the disruption of Brexit preparations was likely to impact on the season. Luckily for our respondents, the vast majority were unaffected by seasonal demand (63.8%) and 18% said that Brexit had not affected their Christmas preparations at all. A further 5.1% had made more detailed plans and had reduced their risk to the disruptions by using more UK-based suppliers, where some supply chain managers were unable to find all the suppliers they needed in the UK (2.8%).

Others had used the gift of time and imported earlier to prevent disruptions (9.6%) but this wasn't the solution for everyone. Some supply chain managers found the difficulty in finding affordable warehouse space too much to risk buying stock they were then unable to store (3.7%). There were also issues of stock availability as 2% struggled to get the supplies they needed.

As the deadline in 2019 was shifted from March to October, some businesses were more affected than others as 7.9% said the change in departure had made 'the situation worse for us.' Some businesses were faced with the fact that they would be unable to break even in Christmas 2019 (95.1%) and others were worried that they just wouldn't be ready for the festive season as a result of Brexit (5.1%).

With the 31 October deadline still in mind, we asked supply chain managers should World Trade Organisation tariffs be imposed and extra customs checks result in delays, how would this impact on their Christmas supply chains?

The largest response came from the 'don't knows' at 37.4% as uncertainty, hesitation and indecision took a grip on business planning. Almost a quarter of respondents said they had everything they needed (23.3%) and were prepared for Christmas business. Another 16.6% said that as their suppliers were based mostly in the UK, their Christmas supply chains would not be impacted.

Others were not so fortunate and were struggling to cope with the disruption as 5.3% said they would not be able to meet Christmas demand for their goods and another 5.9% said there would be less stock for sale for Christmas 2019. The cost of disruption was also rising for some companies and consumers would ultimately suffer as 5.6% said they would have to raise prices to cover any additional costs incurred and others were sure they were likely to make a loss in Christmas 2019.

As we discovered in previous Brexit surveys completed by CIPS members, professionals and other business professionals, customers were likely to react negatively if Brexit indecision resulted in delays to the delivery of their goods (5.9%). A small number of supply chain managers said they would have to rely on paying their suppliers late to bridge any gaps in cash flow if supplies arrived later than anticipated (3.7%). The potential knock-on effect was likely to be extensive for some businesses as 6.5% of supply chain managers believed they would ultimately lose contracts with their EU suppliers as a result of problems in supply chains, late delivery or getting stuck at customs. Almost one in ten businesses (8.4%) were still behind in their planning for a no-deal scenario and were not sufficiently ready.

# And other issues...

## THE SCOURGE OF LATE PAYMENTS

Aside from the Brexit situation, we asked supply chain managers about their views and experiences of late payments in the UK and what they believed were the impacts on business.

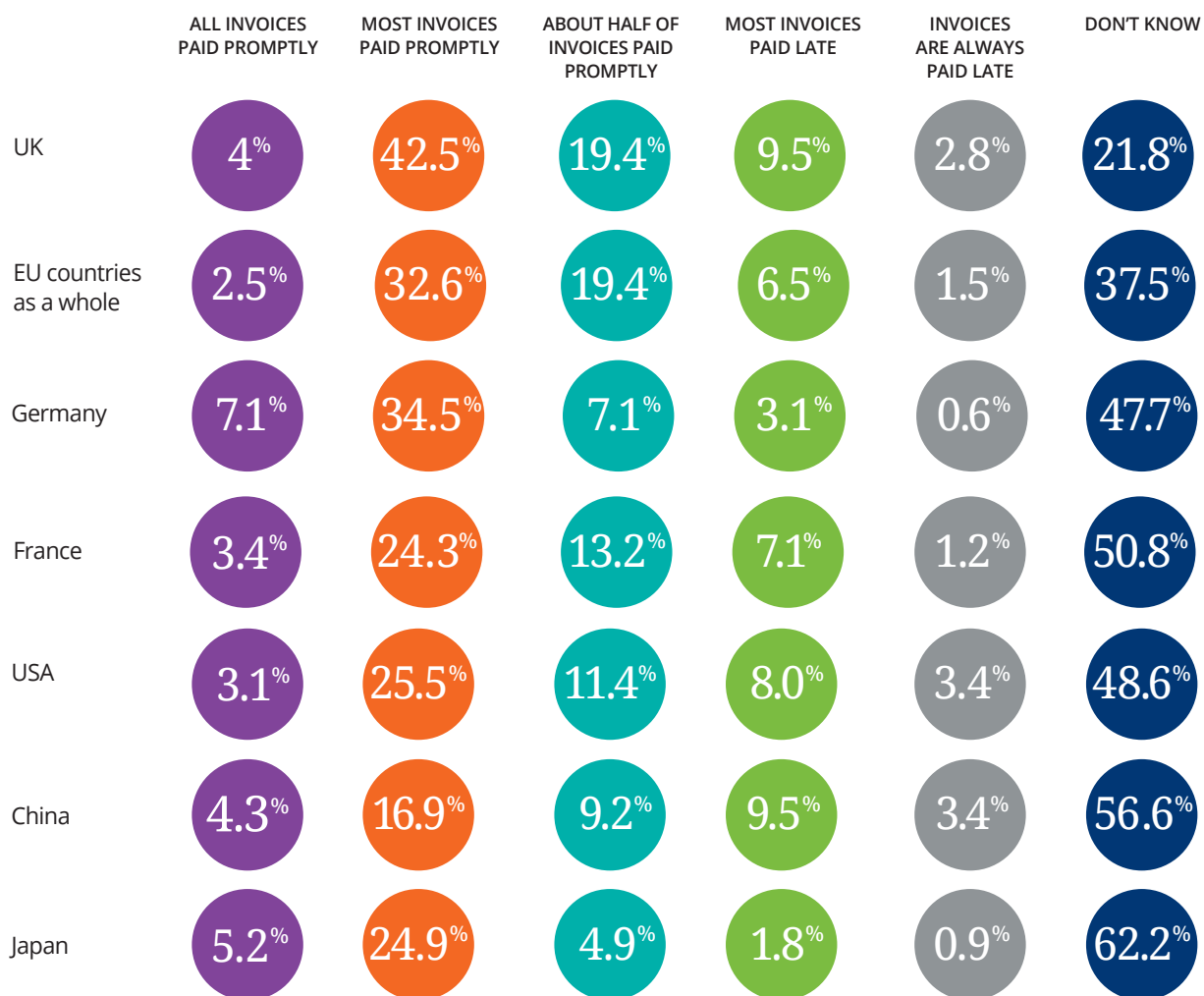
We posed some fixed solutions on how to tackle late payments where we asked supply chain managers to comment on whether the proposal would be:

- Counter productive
- Have no or minimal impact
- Would decrease late payments
- Could significantly reduce late payment; or
- Didn't know

SOLUTION/ RESPONSE	COUNTER PRODUCTIVE	NO OR MINIMAL IMPACT	WOULD DECREASE LATE PAYMENTS	COULD SIGNIFICANTLY REDUCE LATE PAYMENT	DON'T KNOW
Naming and shaming late payers	15.8%	26.7%	25.2%	24.4%	7.9%
Fines for serial late payers	14.9%	15.1%	26.2%	34.7%	9.2%
Removing companies from the Prompt Payment Code	7.7%	30.4%	24.4%	24.7%	12.8%
Prevent serial late payers from bidding for Government contracts	10.4%	25.9%	25.9%	38.5%	12.8%
Holding company boards legally responsible for payment terms	5.9%	15.1%	27.9%	40.5%	10.6%
More guidance to help SMEs invoice correctly	3.0%	27.3%	31.0%	26.1%	12.7%

In 2019, Malcolm Harrison, CIPS Group CEO said, “Going public and naming the organisation that fails to pay you on time is a risky strategy for the SME, but it shows the level of frustration many small businesses experience every day. SMEs need the weight of government to force the issue. Professional supplier management practice must also be to ensure that all suppliers are fully aware of corporate payment procedures and suppliers, especially SMEs, should be supported so that they are able to conform to those processes.”

This culture of late payment has been the ‘cost’ of doing business for a long time in the UK, but CIPS wanted to discover how the UK’s late payment culture compared to other countries around the world.



## LATE PAYMENT IN THE UK

To support understanding of what late payment actually meant in the UK, we asked how UK respondents characterised the culture of business payments in the UK and why corporates extended into long payment terms.

The largest response at 51.2% came from supply chain managers who believed many late payments were intentional. Large corporates chose to force long payment terms on their suppliers because they knew they could get away with hanging on to their cash for longer. Others were more philosophical as 27.2% said long payment terms were just 'the cost of doing business in the UK.' When looking at solutions to improve poor payment practice, stronger regulation has often been mooted as a potential solution. When asked about this, 16.6% of supply chain managers in the UK said that culture was the driver behind late payments and that 'no amount' of regulation would resolve the issue. Others were more positive suggesting that good intent was behind the inability to pay on time and that 'most businesses' are reasonable with their payment terms (20.3%). Around a fifth of supply chain managers said in their experience payment terms were acceptable (28.7%).

## LATE PAYMENT IN THE EU

The same question was asked about the characteristics of EU payment culture but the respondent rate was too low to formulate insights.

## IS YOUR ORGANISATION A LATE PAYER?

To get more granular insight into how UK businesses operate, we asked UK respondents to rate their own organisation's payment practices in terms of intention, accountability, responsibility and contribution to overall payment culture.

A confident and perhaps surprising 48.3% of respondents said they always paid their suppliers promptly. The next highest response at 27% said their intention was to always negotiate the longest terms possible and not pay quickly. Whilst 23.5% said they actively use longer payment terms to manage their own cashflow.

Others felt more removed from the problem, blaming outdated technology and process systems for their late payment difficulties (20.5%). Also almost one in ten felt this issue was out of their sphere of influence as 9.9% said it was 'out of their hands.'

The issue of late payments not only breaks small businesses, it can also make productive business relationships more difficult as 15.6% of respondents admitted that their payment terms had strained their relationships with suppliers.

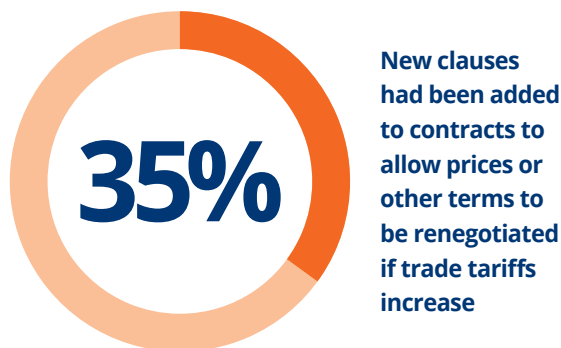
Some supply chain managers highlighted that the difficulties around prompt payment was the responsibility of both parties and that they would be more willing to pay on time, if their customers paid on time first (6.9%).

The sixth Brexit survey received 536 responses from UK businesses with international supply chains, including some European suppliers. 67% of respondents worked in the private sector, 29% in the public sector and 4% for not-for-profits. 78.1% said they worked for large organisations, 13% medium sized business and 9% at small businesses. Regionally, the largest number of respondents came from London (21.5%) and the South East (16.6%), followed by South West at 9%, West Midlands at 9.7%, East Midlands at 6.7%, east of England 4.3%, North East 2.8%, North West 8.6%, Yorkshire and Humber 7.1%, Northern Ireland 2.6%, Scotland 6.9%, Wales 4.1% and Channels Islands as 0.2%.

# What the sixth Brexit survey results revealed about the manufacturing sector in the UK

## THE BREXIT IMPACT

As in the previous surveys, respondents were asked how Brexit had affected their existing contracts with suppliers and customers. The biggest majority at 36.5% said that new clauses had been added to contracts to allow prices or other terms to be renegotiated if trade tariffs increase. 22.2% said new clauses had been added to allow for prices to be renegotiated following currency fluctuations, 17.5% said they'd switched suppliers as a result of Brexit and 22.2% said it was difficult to secure contracts after October 2019, though that date has been revised to the end of January 2020 since the survey was in field. A small minority at 4.8% said that they had won contracts as a result of Brexit and 30.2% had not experienced an impact. 12.7% said they'd lost contracts as a result of Brexit.



## FAIL TO PLAN, PLAN TO FAIL

Manufacturers were asked how they were preparing for supply chain disruptions and customs delays post-Brexit. The largest response was the 66.7% who said they were stockpiling finished goods and raw materials in preparation for no-deal or a managed departure from the EU. A smaller percentage at 4.8% said they were trying to stockpile goods but were unable to find available and affordable warehouse space.

A significant number of manufacturers at 42.9% said they would explore alternative routes, ports and transportation to minimise disruption to their business, supply chains and customers. 12.7% said they were unable to make any preparations due to the continued uncertainty as political instability and disagreement continued. Some companies decided that they needed professional customs assistance as 14.3% had hired specialist staff to manage customs arrangements such as a customs broker. 19% said they'd re-shored some of their supply chain to the UK and 12.7% said they'd been looking but were unable to find suitable alternative suppliers.

A small 3.2% said their business was planning to temporarily suspend some or all of their operations during the period of disruption and change to new regulations and ways of working.



## NEW CUSTOMS ARRANGEMENTS

Businesses in the UK who plan to continue to trade with the EU in the event of a no-deal have a range of conditions to meet and activities to conduct such as applying for a EORI number and:

- 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 completed all these steps and found that more companies were prepared compared to the last survey.

41.3% said they had already completed all of the steps needed.

Another 28.6% were aware of the levels of compliance required and said they were fully prepared to complete all four steps. 7.9% hadn't made any progress but were confident they knew what to do. 6.3% knew they would have to complete the four steps but were unsure how to do so. A number of businesses (4.8%) said they had neither the capacity nor capability to complete these steps.

## NEW WAYS, NEW CUSTOMS

After decades of trade with the EU, manufacturing companies are learning fast about new procedures, regulations and paperwork and sometimes buy in additional support to transition the move. Over a third of companies surveyed in the manufacturing sector (33.3%) said they had specifically looked for and found a customs broker. Another confident third said they did not need additional support (33.3%). Another 7.9% said they hadn't looked for additional support but were planning to do so in the near future and 1.6% said that due to the lack of availability of customs brokers they were unable to secure a hire.

## ANY PORT IN A STORM

In the summer of 2019, the UK Government unveiled its plans to create ten 'free' ports that would allow companies to import and export outside normal tax and customs rules, tariff-free. Between 1985 and 2012, the UK had seven free ports which can be airports or maritime ports. The licence to operate these free ports was not renewed. This new initiative is designed to benefit import/export businesses that are likely to find tariffs and red tape more onerous than other types of business. Studies have found that these arrangements encourage imports and can stimulate economic activity within these designated areas. Critics suggest that business is merely diverted from elsewhere in the country to these ports. These arrangements however are not without their borders, but instead create two – one with simplified paperwork to enter the designated area, and another with full documentation and controls needed to leave.

CIPS asked supply chain managers in the manufacturing sector whether these free ports would be effective at minimising disruption.

The biggest response at 22.2% of respondents said that the introduction of free ports would not be introduced on time to have any material effect. Other manufacturers were more positive about free ports significantly reducing disruption (19%). Another 19% said they would not have any impact and 20.6% of manufacturing supply chain managers just 'didn't know.' Almost a fifth (14.3%) said that this initiative would create problems in other areas of the supply chain. 4.8% said they would increase disruption.



## DISTANT DECLARATIONS

According to John Glen, CIPS Economist and Visiting Fellow at the Cranfield School of Management, any checks at UK ports, even for five minutes, could create impossibly long queues. To manage the potential chaos, the UK Government has suggested an alternative to free ports in the form of traffic managements systems such as BROCK, where customs checks can be conducted further away from the ports and so traffic queues are managed more effectively. Delays at ports are likely to hit businesses hard, as late delivery payments or lost contracts could be costly.

CIPS posed the question to procurement and supply chain managers about whether this approach was likely to reduce any potential disruption in the event of a no-deal or new customs arrangements. Manufacturing firms were mostly in favour of the idea as 31.7% said that such a system would 'significantly' reduce the amount of congestion on the road. Others thought differently as 20.6% said such a proposal would create difficulties further down the supply chain. 7.9% said there would be no impact and the same percentage said it would increase disruption, followed by 11.1% who said there was no time to introduce something effective and so a system where declarations are made away from ports would have no impact. Around a fifth (20.6%) did not know what the impact could be.

## FROM SHIP TO SHORE WITH NO CHECKS

In the event of long delays, frustration around busy ports and the risk of decaying goods and disrupted supply chains, we asked respondents to the survey about their thoughts around waiving shipments through UK customs without checks. A third (30.2%) agreed this approach would reduce disruption to a large degree, but others (28.6%) said problems would just appear elsewhere in the supply chain. 12.7% suggested that this initiative would increase disruption and 15.9% said they didn't know the outcome. Only 6.3% felt there would be no impact at all.

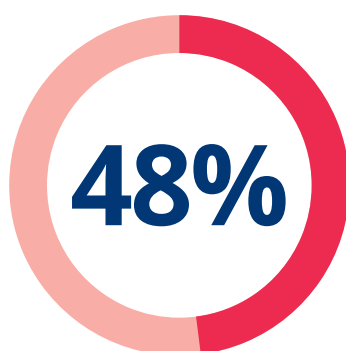
The data was collected from 19th August to 2 September 2019 and included 63 respondents from the manufacturing sector in the UK. 1.6% were located in London, 20.6% in the South East, 6.3% in the South West, 20.6% in the West Midlands, 14.3% East Midlands, 4.8% East of England, 3.2% North East, 7.9% North West, 6.3% Yorkshire and Humber, 4.8% Northern Ireland, 6.3% Scotland, 3.2% Wales.

All respondents came from the private sector. 58.7% of respondents worked in large businesses of 250 or more employees, 30.2% were a medium-sized business and 11.1% worked at SMEs. The vast majority had an international supply chain including some European suppliers (95.2%). Only 4.8% had UK-only suppliers in their supply chains.

# The situation in Europe: summary of sixth survey findings from EU supply chain managers with international supply chains including some 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. This was a repeat question also asked in the other surveys. The biggest response at 40.7% said that new clauses had been added to allow prices or other terms to be renegotiated if trade tariffs increased. 48.1% said that clauses in contracts had been added to allow prices to be renegotiated following currency fluctuations. 20.4% said there had still been no impact on their business and 38.9% said they had switched suppliers as a result of Brexit, while 20.4% said they found it difficult to secure contracts that ran after October 2019. 11.1% said they had lost contracts as a result of Brexit and 3.7% said they had won new contracts because of Brexit. 'Other' made up the remainder of 1.9%.



**Clauses in contracts had been added to allow prices to be renegotiated following currency fluctuations.**

## FAIL TO PLAN, PLAN TO FAIL

Supply chain managers in the EU were questioned about their plans for Brexit, whether their approach was stockpiling, switching suppliers or revising their supply chains completely as the UK plans to leave.

The highest response at 44.4% from supply chain managers said their organisation had re-shored some of their supply chain to the EU. The second highest response at 38.9% came from supply chain managers stockpiling their goods and raw materials in the event of a hard Brexit or continuing political uncertainty. Finding suitable space to store stockpiled goods continued to be an issue, as 11.1% were unable to secure suitable and affordable warehousing.

A number of respondents said they were looking at alternative routes and ports or other transportation to avoid getting caught in queues at ports (31.5%). A small minority at 7.4% said they felt unable to prepare for Brexit as the political and economic situation was still too uncertain and 16.7% said they were planning to suspend some or all of their operations if disruptions occurred. As the threat of more red tape and higher tariffs loomed, 13% said their organisation had hired specialist staff to manage their customs arrangements. 11.1% said they just didn't know what their plans were.

To counteract potential disruption, 18.5% of supply chain managers were attempting to find comparable suppliers to their British suppliers but were unable to find similar or equivalent in the EU.

## NEW WAYS, NEW CUSTOMS

From a previous question, it was clear that some supply chain managers in the EU had also employed specialist support to understand the potentially new customs arrangements as a result of Brexit. We wanted to know more and to what extent this additional support was required.

One of the biggest responses at 22.2% from supply chain managers was that no additional support was required, possibly because there is still a lack of clarity around what any new customs arrangements could be. 18.5% said they had looked for and found a customs broker they were now working with. Another 3.7% said that they had looked for assistance from a customs broker, but due to a lack of availability, were unable to secure support. Over a fifth of EU supply chain managers said that they had not looked for additional support but were hoping to do so shortly, whereas 33.3% said 'none of the above' reflected their particular situation.

## ANY PORT IN A STORM

In the summer of 2019, the UK Government announced plans to create up to ten free ports across the UK after Brexit in the hope of easing some of the expected congestion on both sides of the English Channel. Free ports allow companies to import goods and then re-export them outside normal tax, paperwork and customs rules. The last time the UK had free ports was in 2012 in Southampton, when the current licence was not renewed. Some critics say free ports encourage tax dodging and the possibility of counterfeit goods circulating in the economy but supporters see them as a solution to potential chaos.

CIPS asked supply chain managers in the EU how effective free ports would be to minimise disruption to supply chains in the event of a no-deal.

Around 15.1% said the ports would not be created in time to have any impact on their business. Another 22.6% said they believed there would no impact or advantage to their operations. Another 20.8% said free ports were a good idea and they would reduce the amount of disruption 'significantly'. Others were not so optimistic. Another 11.3% said freeports would merely push issues elsewhere creating problems in other areas of the supply chain. Another 11.3% said freeports would increase supply chain disruption. Almost one in five (18.9%) said they didn't know.

## DISTANT DECLARATIONS

Another idea designed to limit disruption is to make space for customs declarations to be completed away from the UK ports and in other designated areas. CIPS asked how effective this particular proposal would be to minimise disruption to the EU respondents' business supply chains.

The biggest response at 24.1% was a positive one as European supply chain managers said it would significantly reduce the amount of disruption experienced. A fifth (20.4%) were not so delighted with the idea and suggested that this idea would only create problems elsewhere in their supply chains and was not a complete solution. Another 20.4% said this proposal would have no impact and 11.1% believed there would be increased disruption. Another 9.3% said there was too little time to be introduced properly, so the proposal would have an effective impact on their supply chain operations. 14.8% didn't know.

## FROM SHIP TO SHORE WITH NO CHECKS

Another proposal on the table suggested that to speed up the delivery of goods, shipments could be waived through UK customs without any formal checks. European supply chain managers were asked whether this particular idea would benefit their operations and minimise disruption to their supply chains.

The largest response at 35.2% said any problems would just be revisited further down the supply chain and this wasn't the perfect solution. The second largest response at 24.1% came from those supply chain managers who believed that this proposal would reduce disruption by a large margin.

A small of responses such as 9.3% for 'no impact'; it will increase the disruption (16.7%) were received. 14.8% of respondents said they didn't know what the result of this initiative would be.

## CHRISTMAS IS CANCELLED

Many businesses have to plan well ahead for seasonal goods, with many months of planning and stock building before the need to promote goods and services. As an important holiday in the UK, CIPS wanted to understand how the disruption of Brexit preparations were likely to impact on the season for European supply chain managers.

Once again, the vast majority of European supply chain managers said they were unaffected by seasonal demand (54.2%) and 14.6% said that Brexit had not affected their Christmas preparations at all. A further 27.1% had made more detailed plans and had reduced their risk to any disruptions by using more EU-based suppliers, where some supply chain managers were unable to find all the suppliers they needed in the UK (4.2%).

Others were not so fortunate and were struggling to cope with the disruption as 6.3% said they would not be able to meet Christmas demand for their goods and another 4.2% said there would be less stock for sale at Christmas 2019. Another 18.8% said they had imported stock earlier than usual to avoid potential disruption, but 6.3% said they had attempted to import earlier but couldn't find affordable warehousing space.

Some supply chain managers in the EU (4.2%) said that the combination of uncertainty and currency instability meant it would be difficult for them to break even this Christmas. Another 8.3% said that moving the March deadline to October has made the situation worse for them.

# And other issues...

## THE SCOURGE OF LATE PAYMENTS

Aside from the Brexit situation, we asked European supply chain managers about their views and experiences of late payments in the UK and what they believed were the impacts on their business. This made for interesting comparisons between the UK and EU attitudes to late payment cultures.

We suggested some potential solutions on how to tackle late payments where we asked supply chain managers to comment on whether the proposal would be:

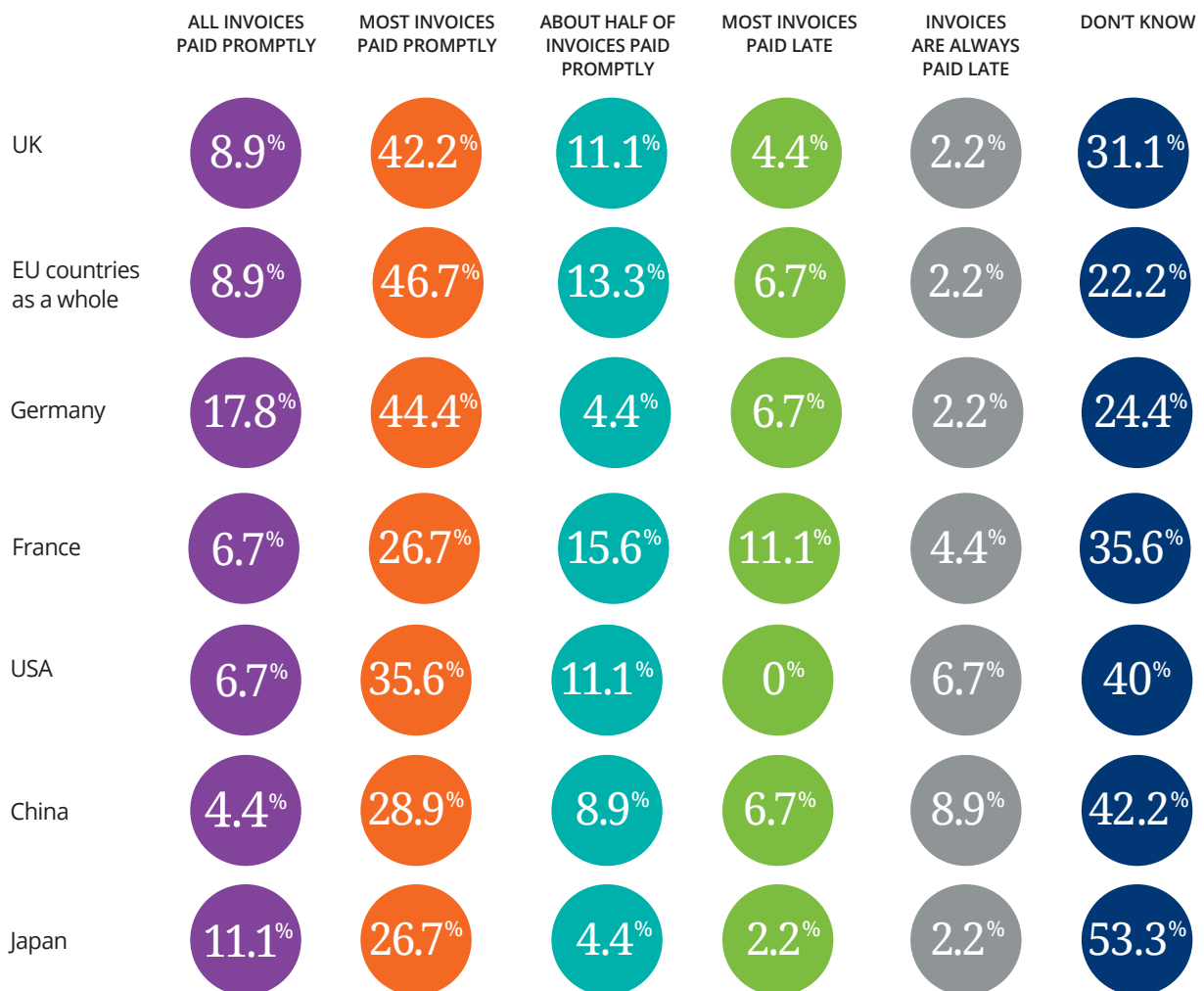
- Counter productive
- Have no or minimal impact
- Would decrease late payments
- Could significantly reduce late payment; or
- Didn't know

SOLUTION/ RESPONSE	COUNTER PRODUCTIVE	NO OR MINIMAL IMPACT	WOULD DECREASE LATE PAYMENTS	COULD SIGNIFICANTLY REDUCE LATE PAYMENT	DON'T KNOW
Naming and shaming late payers	28.3%	23.9%	19.6%	8.7%	19.6%
Fines for serial late payers	17.8%	15.6%	26.7%	24.4%	15.6%
Removing companies from the Prompt Payment Code	15.6%	17.8%	26.7%	15.6%	24.4%
Prevent serial late payers from bidding for Government contracts	8.9%	15.6%	24.4%	28.9%	22.2%
Holding company boards legally responsible for payment terms	11.1%	13.3%	33.3%	15.6%	26.7%
More guidance to help SMEs invoice correctly	4.4%	31.1%	22.2%	22.2%	20%

## LATE PAYMENTS IN EUROPE AND INDIVIDUAL COUNTRIES

This culture of late payment has been the 'cost' of doing business for a long time in the UK, but CIPS wanted to discover how the UK's late payment culture compared to other countries around the world.

As late payment is an international issue, and not just a business issue in the UK, we asked European supply chain managers about their views on British business. How did the payment practices of UK companies compare?



## LATE PAYMENT IN THE EU

It was obvious from the data that late payment continued to be an issue in the UK and the EU and that improvements could be made. We then compared the responses with attitudes in Europe and what the culture of late payments meant in Europe.

The largest response at 39.1% came from supply chain managers who used longer payment terms intentionally as a way of managing the cashflow of their business. Next highest response came from European supply chain managers whose focus was on negotiating the longest terms possible when finalising contracts (34.8%). Over a third of responses at 32.6% were supply chain managers who were sure they paid their suppliers promptly. Others were mindful of the consequences of late payment and admitted that their organisation's payment terms led to strained relationships with their suppliers (10.9%). Some supply chain managers felt helpless saying they only paid late when they were paid late by their customers (4.3%) and 6.5% said that payments terms were not in their sphere of influence.

The issue of IT systems and supportive processes were also raised as 15.2% of responses said that outdated technology made prompt payments difficult. Others lay the blame for their own poor practices on others' inability to pay promptly (10.9%).

The sixth Brexit survey received 71 responses from EU (excluding UK) businesses with some UK suppliers. 53.5% were located in Western Europe, 16.9% in Central Europe, 9.9% in Eastern Europe, 4.2% in Northern Europe and the remaining 15.5% in Southern Europe.

Most of the respondents worked in the private sector (77.5%), 21.1% in the public sector and 1.4% for not-for-profits. Supply chain managers mostly came from large business (73.2%); medium sized business (15.5%) and small business (11.3%).

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



# Duncan Brock, Group Director, CIPS



## WHAT NEXT FOR PROCUREMENT AND BREXIT?

When we started our series of reports in 2017, the Brexit pathway was a complete unknown. Since then, political instability ensued, deadlines came and went and uncertainty dominated the political and economic landscape.

Several years on, and thanks to our members and other professionals in the procurement community, we have a deeper understanding around how supply chains have been affected by the Brexit situation, and will continue to be, plus what our supply chain experts are doing about it. Supply chain managers have been busy mitigating risk, re-negotiating contracts, improving terms and conditions and managing currency fluctuations to reduce the impact on their supply chains. But it's fair to say there have been challenges amongst the successes. Some businesses have been severely affected by a lack of warehousing space for example. With just in time supply chains and lean purchasing the norm for decades, building warehouse space in the UK just hasn't been a priority. So inevitably and regardless of the abilities of skilled individuals and improved forecasting, without strong infrastructure there's only so much that forward planning has been able to achieve.

However, for me the main take away from this particular survey is that supply chain managers are demonstrating their core abilities and are being sought after by their CEOs and boards as solutions-providers. Though we have some stability after the General Election results were announced, a lack of clarity will still dog us with another gruelling year, or more, of political negotiations ahead of us. As professionals we will continued to be stretched to the limit. The supply chains of today will bear no resemblance to the supply chains of tomorrow, we can be sure of that.

Our research also found that supply chain managers were focused on improving supplier relationship management, and hiring customs brokers where needed. Though managing suppliers has always been at the core of good procurement, now more than ever strong relationships are making or breaking businesses. Brexit is probably the biggest challenge this generation of procurement managers have had to face in the UK and in the EU, so businesses must ensure they have the right professionals and talent, with the right skills in place as we move into the next phase of what Brexit means for the country.

I know the answers don't come easily. British goods producers still have a mountain to climb in terms of improved reputation. Previous surveys have shown that EU supply chain managers have already told us that it will be difficult for the UK to market to the EU as British goods don't 'stand out'. This is in spite of the benefits of a weaker pound or any trade agreements that both sides eventually sign up to.

All in all, taking advice from our peers is one of the most productive ways to understand how these perspectives can support our own plans and best course of action. So I appreciate the time and energy respondents to our surveys have taken to create the much-needed insight and paths to a potentially successful exit from the EU.

As we edge towards a potential resolution, for now bluster must become policy and rhetoric must become reality so the uncertainty, dissent and confusion that has prevented businesses spending and consumers hesitating to part with their hard-earned cash can soon come to an end. The potential for a hard Brexit still looms, so businesses will need to don their hard hats, continue to develop agile and creative responses to the changing landscape and build strong networks of highly-skilled supply chain managers if we have any hope of navigating the tail-end of the Brexit storm.

*January 2020*

# 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.

# *CIPS Position on Brexit*

With Brexit negotiations underway, CIPS has taken a view of areas of impact that are affecting the day-to day operations of procurement and supply chain specialists.



*Download  
the Brexit guidance  
paper for Procurement  
and Supply Chain  
Managers from  
the CIPS website  
knowledge  
area*

# About CIPS, the Chartered Institute of Procurement & Supply

## ***The professional body***

CIPS, a not-for-profit organisation that exists for the public good, is the voice of the profession, promoting and developing high standards of skill, ability and integrity among procurement and supply chain professionals.

## ***Quality guaranteed***

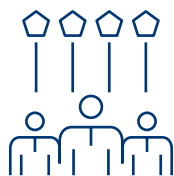
Our qualifications are recognised by OFQUAL in England and regulators in various countries, demonstrating that they meet specific quality standards.

## ***The Global Standard***

CIPS Global Standard in Procurement and Supply, which is freely available, sets the benchmark for what good looks like in the profession.

## ***A commercial organisation***

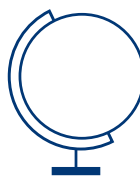
CIPS helps governments, development agencies, and businesses around the world to excel in procurement and supply, supporting them to improve and deliver results and raise standards.



Global Standard  
freely available



Global membership  
of 70,000



...in over 150  
countries