Brexit and Logistics: Wait and See or Be Proactive?

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Introduction

Great Britain is leaving the EU – at least that much has been decided. But how will Brexit affect logistics and supply chain management?

Europe will soon be a little bit smaller. No one is quite sure how this will play out yet. There will be consequences – that much is sure. What challenges will crop up in logistics and what should the people in charge be doing?

The entire political debate surrounding Great Britain’s exit from the European Union has been plagued by uncertainty. In addition to the uncertain outcome of negotiations between Great Britain and the EU, the presumed aftermath of the negotiated terms also remains unclear. At the same time, less than a year remains to make vital decisions – and that’s before implementation even starts. The European Commission has warned of a “Brexit Disaster” most recently.

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What could happen logistically?

At first glance, the customs procedures that can be expected would appear to be relatively simple. Customs processing has been standardized today, it’s simply a matter of incorporating the new customs tariffs. At the very beginning in particular, new trading relations may be cause for a lot of confusion – and trucks with urgently needed or perishable goods will inevitably be left waiting.

One “simple” and perhaps rather obvious preventative strategy could be to set up new logistics warehouses on both sides of the channel to prevent entire markets from breaking away. Some companies are already preparing. As a result, there has recently been an increase in inquiries from companies in continental Europe regarding locations in Great Britain. Likewise, British firms are also preparing for Brexit by searching for and setting up locations and structures outside of Great Britain. This is a sensible step that nonetheless isn’t always sufficient and is considerably more expensive. In this respect, there is a need on many levels for a much more complex analysis and cost-effective solution to the problems caused by Brexit.

Although logistics here have never really been easy, Great Britain’s withdrawal from the European Union may make it even harder to cross the English Channel. Customs, truck waiting times at customs clearance stations, or hindrances in port handling and train transport are just a few of the obvious logistical problems that are expected to arise.

If worst comes to worst, Brexit might not only impede the free transport of products and personnel, but bring it to a halt. But even if there were “merely” delays at the border in the beginning - characterized by uncertainty - this would have a dramatic effect on the logistical supply chain.
How do we prepare for Brexit?

Assessing how Brexit will affect your company starts with one simple question: What might Great Britain’s exit from the EU mean for my company and my supply chain management? Here it is important to take a look not only at the sales market, but also the suppliers (and their suppliers). Do you know which raw materials, supplies, and operating materials you obtain from Great Britain? What would happen if deliveries stopped arriving or there were a delay of 1, 2, or maybe even 4 weeks?

Determine your worst-case scenario and review possible risks and disruptions to your supply chain – considering the entire supply chain. Optimally you would determine the probability of occurrence, but it would seem almost impossible to do so right now.

Solutions for Logisticians

On the inbound side it makes sense to establish redundancies and find suppliers that are capable of delivering and able to maintain this ability even without production facilities in Great Britain. A closer look is in order here, especially in regards to critical (precursor) products: Could it be that you aren’t the only customer to have such an idea? Even though single sourcing has long been discouraged – what use is this, if several of your main suppliers rely exclusively on preliminary products from Great Britain? Therefore: Analyze your supply chain! It would seem simple for the most important items. This can be especially complicated for C-items, but that doesn’t make it any less important. It’s worth it to take a closer look here!
If Great Britain is an important sales market for your company, you should take time now to figure out the steps required to ensure your customers are supplied. Simple contracts with distributors just won’t cut it here, since distribution isn’t the clincher, but rather the continuous supply of products to Great Britain – even during the anticipated “chaotic period” that is sure to be shaped by a transition period and new regulations. Some of our customers are already reacting by reorganizing their European logistics setups – but is this really the best solution and if so, for which portfolios and customers?

Wait and See or Be Proactive?

“Nothing is set in stone” – right now there is no advice that could guarantee a successful solution. There is still time, however, to develop various scenarios, examine them, and evaluate issues in a timely manner in order to get the ball rolling. It isn’t absolutely necessary to take any specific steps quite yet, but being proactive right now may help maintain your ability to react when various scenarios occur. Otherwise, it can always be said: Having a strategy for a bold first move is better than having no strategy at all!
We will be gladly available to discuss this topic with you in person and more.

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