

Getting your Brexit house in order

In association with



Ticking off the Brexit checklist

On 1 January, the UK will officially be out of the EU. But how prepared is the channel for this event? In some exclusive research carried out in conjunction with Westcoast, CRN discovered that while a large number are ready for action, they are still in need of more information and guidance

There was a time, pre-COVID, that the most mentioned word in the UK was Brexit. Ever since the country voted in 2016 by a slim majority to exit the EU, the government has been trying – and largely failing – to sort out a deal with the rest of the EU member states to make the transition easier for both sides.

However, with a deal looking less likely as we near the end stages of 2020 and multiple negotiations result in stalemate, the UK faces the very real prospect of a no-deal Brexit. And this leaves many channel firms feeling confused as to what ‘no deal’ actually means for them personally and on a business level.

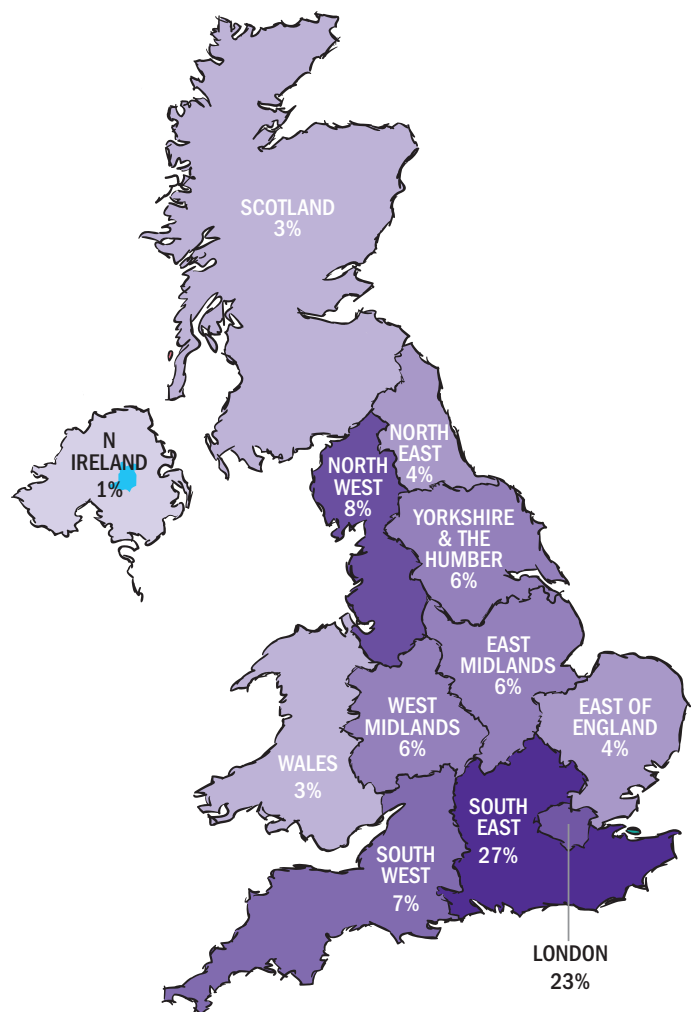
It has also left many unanswered questions: Where does this leave the thousands of businesses that either have a European presence, or transact with both European customers and suppliers? What about the Irish border? Will prices rise? What about all the different laws? Will there be stock shortages, or difficulty shipping both to and from the UK?

CRN, in association with Westcoast, questioned more than 300 UK channel partners to see how prepared they were for Brexit, and what their most pressing concerns were pre-January 2021.

A roundtable discussion was also held in conjunction with the research to see what vendor, distributor and logistics experts advise channel firms to do in order to be prepared for the years ahead and to cover many of the above points plus several more. Sitting on the panel were: Alex Tatham, Westcoast managing director; Sue Keywood, customer service and operations manager at Westcoast; Dionne Redpath, sales and branch network director at global freight forwarding firm Europa Worldwide; Pat Kickham, joint managing director of Datapac; and Nigel Dunn, managing director EMEA North at Jabra.

Those taking part in the survey ranged from VARs, integrators and MSPs to vendors, distributors and consultants, with turnover ranging from up to £2m to £500m-plus. We also asked them to say where they were from geographically. A total of 27 per cent were from the South East, 23 per cent from Greater London, eight per cent from the North West, seven per cent from the South West, and six per cent each from Yorkshire and the Humber, West Midlands and East Midlands respectively. A further four per cent were from the East of England and the North East, three per cent were from Wales and Scotland, and one per cent from Northern Ireland (see fig. 1).

Fig. 1: What is your location in the UK?



Our next questions asked how prepared our respondents were for Brexit right now, and a significant 50 per cent said they were fully prepared. A further 22 per cent said they were just starting to think about it now and 20 per cent said they won't be affected because they only operate in the UK. Finally, eight per cent said they were not at all prepared (see fig. 2, p3).

Even more encouraging, when asked whether they felt they would be prepared for Brexit by 31 December, 69 per cent said yes, they would. A further 27 per cent said maybe, and just four per cent said no, they would not (see fig. 3, p3).

Fig. 2: How prepared are you for Brexit right now?

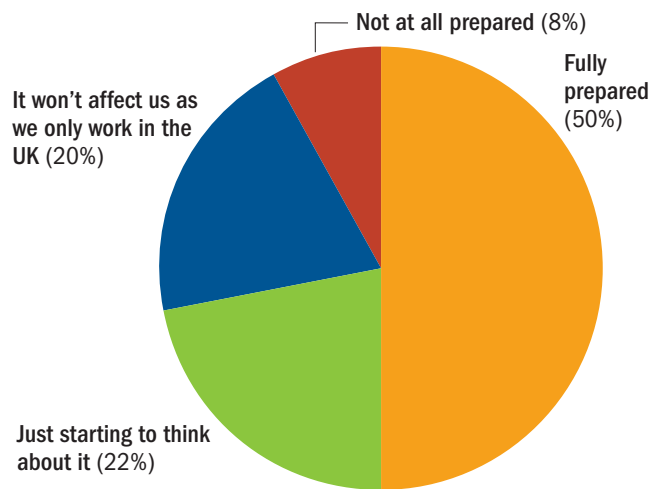
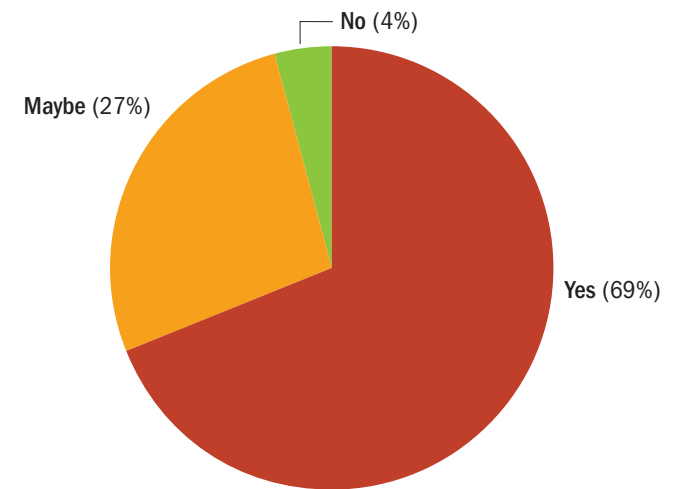


Fig. 3: Will you be ready by 31 December?



Doing your prep

Respondents were asked what they had done differently to prepare for Brexit, and while a significant proportion of the open text responses said 'nothing', several said they had established specialist Brexit teams to deal with all the issues arising, some had planned for all scenarios, and many had also set up a subsidiary in an EU country. Others said they were UK based and therefore Brexit made no difference to them, and some said they ensured all their staff were correctly registered to work in the UK.

Sticking with the same question, a popular answer was to keep an eye on the news, HMRC updates and any major developments so they can keep one step ahead. Others said they had overstocked and many had already moved their data to the UK to avoid any security issues.

Speaking on the panel discussion, Jabra's Dunn said the firm had encouraged its distribution partners to overstock for the month of January:

"We are anticipating a bit of chaos – we have asked all of our distributors and they have responded in kind, to take an extra six to eight weeks' worth of stock in the month of December to tide them over early into Q1 of next year. I have no idea if that is the right amount of stock or whether it is way too much, but we are all of a mind that it is the right thing to do. We have done as much as we can."

Pressing issues

When asked what the most pressing thing many of our respondents still had to do, there were five extremely popular answers (*see fig. 4*).

Some even said that they were planning for the worst-case scenario.

But Europa Worldwide's Dionne Redpath said the one thing everybody needed to do was not "kick the [Brexit] can down the road".

"There is not a great deal of time left. Get to grips, don't stick your head in the sand," she said. "Do your homework, make sure your business is ready, your customers are ready and your suppliers are ready to do the basics. Secondly [if applicable], protect your European customer base – do everything you conceivably can to make sure they keep buying that product from your business."

Our next question asked what areas or tasks respondents were most concerned about regarding Brexit (*see fig. 5, p4*).

Top answers included worry over losing non-UK clients, flow of product into the UK, people movement and talent retention, price increases and tariffs, new taxation rules and data protection issues. Several were concerned about the increased cost of bureaucracy that Brexit will bring to businesses.

One respondent said: "I am concerned with the insanity of the whole thing. Logistics, supply chain issues (many of our

Fig. 4: Most pressing things left to do:

- ☐ Understand the changes in place – but doesn't help with all the uncertainty
- ☐ Agree next steps with vendors
- ☐ Change some contracts with EU suppliers
- ☐ Work out how shipping restrictions will affect business
- ☐ Understand VAT rules across EU countries

Fig. 5: Top ten Brexit worries

- Lack of information coming from govt
- Losing non-UK clients
- Added bureaucracy and paperwork
- Price increases
- Irish backstop/border



- Supply chain issues/stock shortages
- Tariffs
- New taxation rules
- Loss of freedom of movement – skills shortage
- GDPR

suppliers are in Germany). Continuity of service is paramount and logjams at ports will impact, if they do occur.”

Another said: “The late arrival of useful information has made preparation very difficult.”

Be prepared for slight price increases

Although it is unclear which, if any, tariffs might be added to shipping costs, Westcoast’s Tatham said the industry should always prepare just in case.

“We are not expecting a lot of tariffs in our sector, but it should not give customers any complacency – tariffs can happen immediately and quickly. [Resellers] need to have a flexible regime to move suppliers, move customers around and to reflect those prices as they increase into customers.”

But when asked directly about price rises in the panel discussion, Jabra’s Dunne did not seem unduly concerned.

Dunne said: “Tariffs don’t really affect our sector. There are some minor items in our range – accessories – which attract some small tariffs, but we will not affect price changes.”

However, Datapac’s Patrick Kickham said Brexit would eventually have to be paid for in some form or another.

“I do believe there will be an attempt possibly to bundle this

in with other factors,” he mused. “The cost of doing business has increased anyway. With respect – after the knowledge and work that has gone into Brexit – it has to be paid for. Do I expect things to happen in January/February/March? Possibly not. But I do feel that somehow this will have to be paid for.”

Many respondents were also concerned about the Irish backstop, and how the border would or would not change.

Datapac’s Kickham said events in 2020 had succeeded in putting Brexit into perspective for a lot of companies.

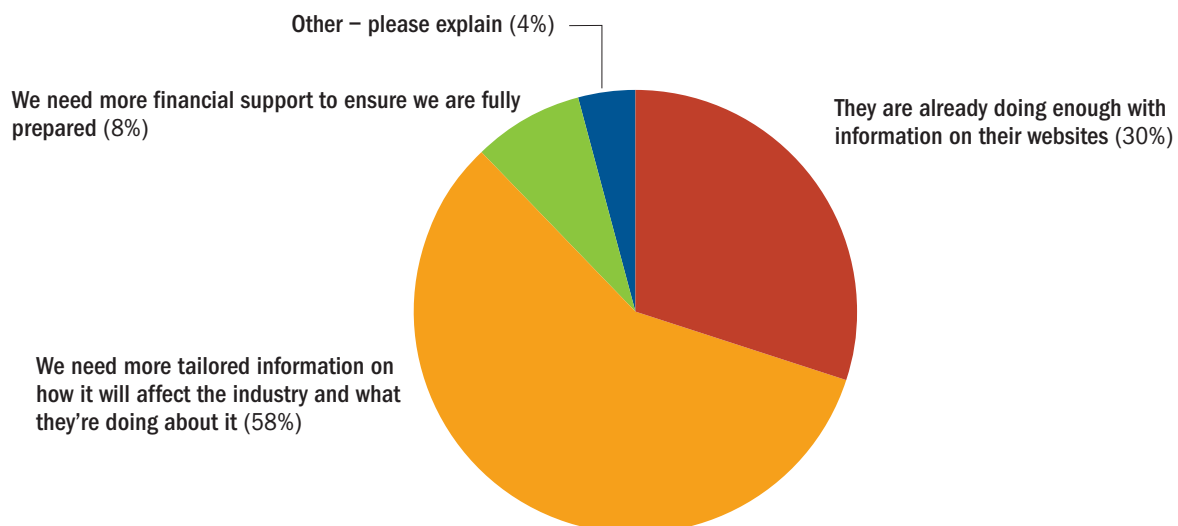
“Our biggest concern [over Brexit] is only the first quarter because it has to sort itself out. This is too big to fail. Concern now in Ireland has moved from business to the emotional impact – such as the Good Friday Agreement, the border, for example. Now there is a resignation to the fact that we are where we are. We are confident and we are as prepared as we can be. All our focus is on agility, agility, agility.”

Finally, other top concerns included vendors being more difficult to deal with in different geographies, and customs delays in bringing product into the country.

Europa Worldwide’s Redpath said the deal for exporters from the UK was definitely more one-sided at present.

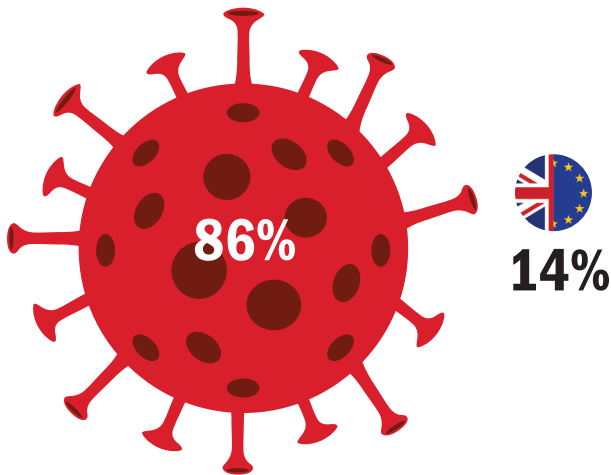
“Unfortunately, the easement that has been given by UK government doesn’t exist for goods travelling from the UK into Europe. What that means is that from 1 January when you ship your goods into Europe you will have to have an export declaration and a corresponding import declaration.

Fig. 6: What could/should vendors and distributors be doing more of to help you prepare?



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Fig. 7: What has caused you the most concern this year – Brexit or COVID?



That will be payable on arrival in the destination country and subject to who is responsible. Subject to deal or no deal, duty could also be payable on that.

“So the same easement does not exist in Europe as it stands at this moment in time,” she said. “That is quite a big deal for exporters from the UK into Europe.”

Leave no stone unturned

Redpath urged the channel to ensure every eventuality was considered.

“There are not a great number of working days left,” she said. “If people haven’t thought about this situation up until this point, I would really urge them please do not to leave this to chance. There is still enough time to be able to understand what you need to do for your documentation, who is going to take care of the formalities for you and who is responsible for that import process and how is that going to happen.”

Our next question asked what vendors and distributors could or should be doing more of to help their reseller partners prepare (*see fig. 6, p4*). A whopping 58 per cent said they needed more tailored information on how it is going to affect the industry, yet 30 per cent actually felt they had done enough with the information already available on their websites.

A further eight per cent said they needed more financial support from vendors and distributors to ensure they were fully prepared.

However, Datapac’s Kickham said that while a lot of support is needed, the onus is not just on vendors and distributors to ensure everyone is prepared.

“All responsibility cannot be held at manufacturer and distributor level, it also has to be held at the partner level, and we have taken responsibility. We are absolutely confident – just like there will be a COVID vaccine moving into Q2 – that this will be behind us.”

Westcoast’s Sue Keywood said the distributor had invested heavily in resourcing its Brexit-focused teams and also investing in communicating with its vendor and freight-forwarding partners to make sure all avenues are covered.

“Speaking to our customers, it is important that we have geared ourselves in a way that we can advise them. We have taken information from the experts – it is not just down to us, it is down to the whole team – vendors, freight forwarders and customers as well to all take responsibility for this. The kind of questions coming through are very common and I’m able to answer them. It shows we have covered a lot.”

Brexit vs COVID

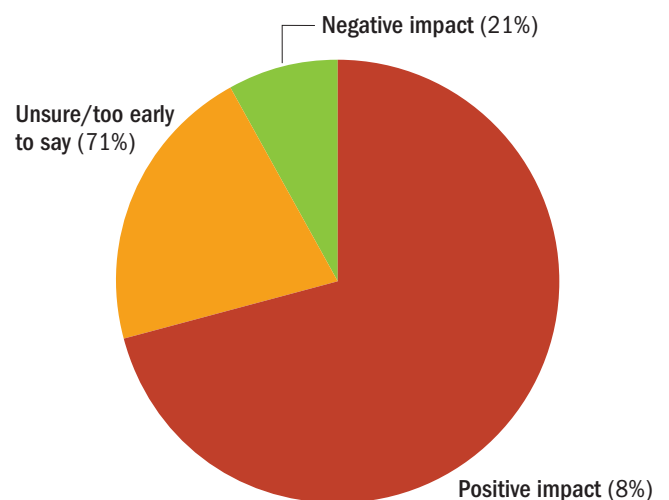
When we asked what had caused our channel respondents the most concern this year – Brexit or COVID-19, the response was unsurprising (*see fig. 7*). A whopping 86 per cent said COVID had caused the most concern, with just 14 per cent opting for Brexit.

The majority felt that because Brexit had been in the pipeline for so long, despite the uncertainty, it was definitely something that more businesses can have control over and at least plan for to some extent.

A large number of respondents cited the safety concerns over COVID and the threat it posed to employees’ and their families’ lives. Many also said it had “changed everything” because they were unable to control it without a much-needed vaccine, which in turn caused uncertainty over day-to-day business operations. Several pointed out that because COVID had “no deadline” and restrictions changed on such a regular basis, it rendered any form of planning very difficult, if not impossible, during 2020.

Datapack’s Kickham said COVID had changed many priorities for businesses.

Fig. 8: How positively/negatively do you anticipate Brexit will affect your business next year?



“COVID really put this into perspective and there is more of a calmness [in Ireland] than I would have anticipated – some is down to fatigue and some is putting Brexit into perspective compared with COVID,” he said.

Westcoast’s Tatham said this focus on COVID could have pushed Brexit to the back burner for many, but they really needed to spend some time ensuring they are as prepared as they can be.

“British business and Irish business needs to keep going,” he said. “Everyone has been more focused on COVID issues and seem a little more sanguine about Brexit issues – but please don’t kick that can down the road. The most important thing is that we keep business moving as smoothly as we possibly can. We want to make sure all resellers keep going and are as agile as they can be. There is no question that things will move change after 1 January. It may be a deadline but things will keep going after that.”

Our final question asked whether they felt Brexit would positively or negatively affect their business in the coming year (*see fig. 8, p5*). The result was unsurprising.

In total, 21 per cent felt it would have a negative impact, eight per cent said it would have a positive impact and a whopping 71 per cent felt it was too early to call either way.

Conclusion

The jury is out as to whether the channel can be fully prepared for all the eventualities of Brexit, because no firm deal has been secured by the UK government.

But, as the survey has shown, confidence is still fairly high among channel businesses that they will be prepared by the time 1 January comes around, although many – quite rightly

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– are uncertain as to just what impact it will have on their business.

The key advice that emerged from the related panel discussion was that businesses must not panic about Brexit – there is still time to achieve some level of preparedness between now and the deadline.

However, companies must not stick their heads in the sand and hope it all goes away. Unfortunately, whatever your particular belief on the vote may have been, Brexit is here to stay, and the channel needs to pull together and turn it into something positive for the UK economy.

There are bound to be teething troubles, particularly if no deal is forthcoming, but as one panellist said, there is little point focusing on what you can’t control. Instead, focus on what you do have control over.

Communication between resellers, vendors and distributors is absolutely vital to accessing the information needed to make the transition to an independent nation state as pain free as it can possibly be, and nobody should be afraid to seek help, or ask questions, even at this late stage.

The channel has always been stronger together, and now more than ever, a united front is needed to power through the uncertainty of Brexit and turn it into yet another opportunity for growth and prosperity.