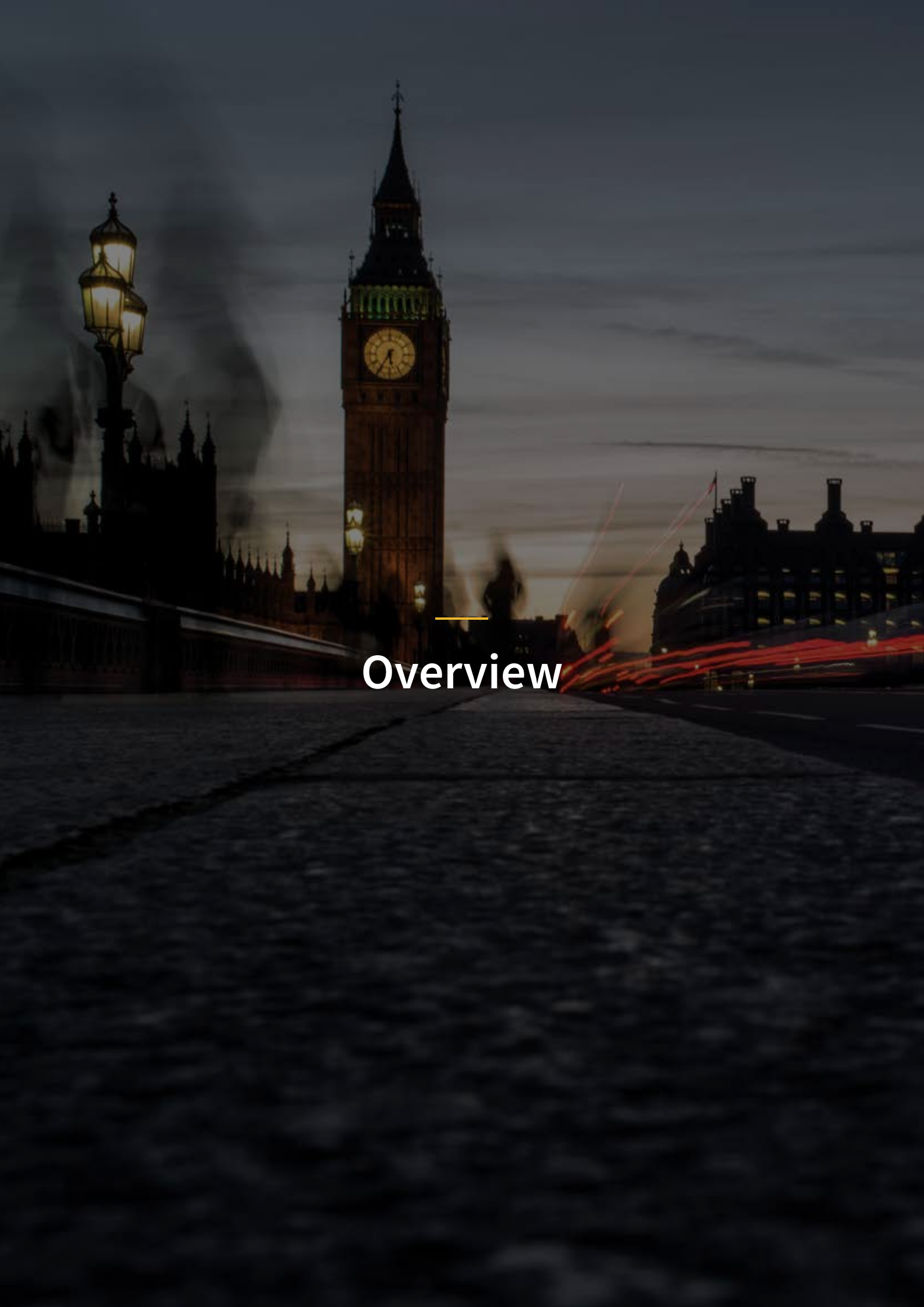


Brexit and logistics:  
**A catalyst for change  
and innovation?**

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# Overview

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# Overview

## What's happened since June 2016?

Following the EU referendum, and indeed since the 'Chequers deal', there has been much discussion about the impact Brexit will have on the UK economy and to businesses operating in the country. A prominent strand of this analysis has been about the impact Brexit will have on supply chains across borders, and the UK customs and transportation network, putting logistics front and centre of the international debate.

Since the formation of the Single Market and the Customs Union, the UK, along with the rest of Europe, has benefitted from the free and easy movement of labour, goods and services; a status quo that is likely to change significantly in the coming years. After two years of negotiations, talks are now in the most crucial phase – discussing the future relationship between the UK and the EU. The precise details of this relationship remain unclear, with possibilities including membership of the European Economic Area (EEA) or simply trading under the World Trade Organisation (WTO) 'Most Favoured Nation' terms. Whatever the outcome, there is no doubt that there will be significant changes to the way businesses move goods, bringing challenges but opportunities too.

Further negotiations will take place at the European Council meeting in October 2018. The UK Government has set out its proposals for the withdrawal deal following a meeting of the Cabinet at Chequers. This will be reviewed and discussed in October before being presented, with possible amendments and alterations, to member states and the European Parliament in December 2018.

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## The European Economic Area (EEA)

**The EEA includes all EU countries plus Iceland, Liechtenstein and Norway. Under the agreement, the EEA allows these non-EU European countries to be part of the EU's single market.**

Switzerland is neither an EU nor EEA member but is part of the single market – this means Swiss nationals have the same rights to live and work in the UK as other EEA nationals do.

The EEA should not be confused by the European Free Trade Association (EFTA) which is an entirely separate free trade area consisting of Iceland, Liechtenstein, Norway and Switzerland. Members of EFTA coordinate trade policy in much the same way as the EU, and jointly conclude trade agreements with the EU and other countries across the world.

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## What can we do now?

When it comes to logistics, success in a post-Brexit market will be largely dependent on three key factors: agility, expertise and innovation. We have seen in the past that organisations which embody all three of these attributes can deliver growth, even in periods of extreme change.

‘Getting ready for Brexit’ could be a challenge for businesses, due to a lack of clarity over what exactly they are preparing for. At the time of writing, what we do know at least now is what the UK Government is proposing – a trade deal which separates goods from services, a deal that is closely aligned to the EU on the former while also seeking divergence on the latter (this is informally known as the ‘Chequers deal’). This proposal remains highly contentious for many UK policymakers and also cuts across many of the ‘red lines’ which EU negotiators have already outlined. Other possible outcomes on the table include a reversion to the EEA membership whilst further ‘no deal’ preparations are made, and a unilateral move to a WTO trading relationship, whereby no arrangement is put in place with the EU.

Presuming there will be changes to the current status quo, whatever happens next, means that it is now more important than ever for UK businesses to assess their supply chains and prepare for Brexit as much as they can. The key questions to ask now therefore are: Are organisations agile enough to capitalise on the opportunities of Brexit? Do they have the right expertise? Can they innovate at pace, to keep up with a changing landscape? Only by answering ‘yes’ to all these questions can organisations truly be ‘ready for Brexit’.

Carousel’s latest white paper sets out to determine the preparedness of large manufacturing organisations in respect of their transport and logistics strategies. We have deliberately chosen to survey businesses in both the UK and Germany – two countries at the core of Europe’s manufacturing heart – to assess the difference in attitudes between the two, and how this may affect future relationships.

We set out to find out if these businesses are uneasy about the ‘uncertainty’ that Brexit might bring, or if there is now positivity about the years ahead. For instance, do they see Brexit as an opportunity to refine their proposition? What is at the top of their agenda? And are the priorities the same here in the UK, as they are in Europe?

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# What are the possible Brexit outcomes?

**Following the triggering of Article 50, the UK will be leaving the EU on 29 March 2019.**

By agreement with the EU, and as set out in the EU Withdrawal Act, the UK will then enter an 'implementation period' until 31 December 2020. The purpose of this is to allow for a smooth transition to a permanent future relationship. There are a number of options for this relationship:

## **1. UK Government Proposal – the 'Chequers deal'**

The EU broadly accepts the Government's proposals as set out in the Brexit white paper but with amendments. This resulting proposal is broadly acceptable to the UK Parliament which accepts this as the basis of the UK's future relationship with the EU.

### **What does this mean for transport and logistics?**

- A free trade area for goods that protects existing integrated supply chains and 'just-in-time' processes
- No hard border between Northern Ireland and Ireland
- A 'common rulebook' for goods including agri-food meaning the UK commits, by treaty, to an ongoing harmonisation with the relevant EU rules
- Participation by the UK in those EU agencies that provide authorisations for goods in highly regulated sectors (e.g. chemicals, medicines and aviation).

## 2. WTO trading relationship – ‘no deal’

Negotiations between the UK and EU collapse with no compromise found between the two sides. The UK Government is unable to find a way forward (e.g. extending Article 50), meaning that the UK leaves the EU without a deal on 29 March 2019.

### What does this mean for transport and logistics?

- New customs arrangements at the borders between the UK and the EU
- Implementation of new tariffs, set by WTO schedules, and other non-tariff barriers
- Possible border infrastructure between Northern Ireland and Ireland.

## 3. Free Trade Agreement – ‘Canadian option’

The EU rejects the Government’s proposal but the Prime Minister is unable to concede on the ‘red lines’ which she has already outlined. These include the membership of the Customs Union and Single Market. The Government seeks an ‘off-the-shelf’ Free Trade Agreement with the EU instead, replicating many features of the existing agreement between the EU and Canada.

Discussions indicate that in order to facilitate this outcome, the UK could revert to a European Economic Area (EEA) membership as an interim solution while a Free Trade Agreement is negotiated. It is widely reported that this is likely to be met with suspicion by hard-line Brexiteers who will argue that this could become the final permanent status.

### What does this mean for transport and logistics?

- Mutual recognition on regulation for the clear majority of goods
- Continued lack of tariff and non-tariff barriers between UK and EU
- Exceptions likely to include major elements of the UK economy such as financial services.



## 4. Continued Customs Union and Single Market membership – ‘soft Brexit’

The UK is unable to secure agreement from the EU for the ‘Chequers deal’, the Government attempts to negotiate a third option based on existing Free Trade Agreements. This is rejected by the UK Parliament (perhaps following a change in policy from the Labour Party) which forces the Government to accept a continued membership of both the Customs Union and the Single Market.

### What does this mean for transport and logistics?

- Rules governing the movement of goods remain the same.

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## About the paper

## About Carousel

Carousel is a leading European service logistics specialist, focusing on high-performance industries. They guarantee to deliver precisely when, where, how and at the speed their clients' customers demand.

Leading players from Med-Tech, technology, agriculture and other service-focused industries trust Carousel to fulfil their customer promise, because they add value right at the point their clients interact with their customers.

With ten strategic centres located across Europe, offering a focused portfolio of logistics solutions, its core service range includes: extensive first and final-mile delivery options; field engineer and dealer services; air and road line-hauls; in-night distribution; warehousing; FSLs and returns management solutions.

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**To find out more, visit the website: [carousel.eu](https://www.carousel.eu) or to speak to one of our trusted experts call +44(0)1795 508 148 or email: [findoutmore@carousel.eu](mailto:findoutmore@carousel.eu)**

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## About the research

This paper includes a detailed description of the key findings from Carousel's latest research study, conducted in conjunction with Analytiqa, a leading business intelligence and market analysis company.


Over a three-month period in 2018, Analytiqa interviewed senior logistics, operations and supply chain professionals from multinational manufacturers and service providers in the UK and Germany. These companies are leading players in their respective manufacturing industries and include those in agriculture, automotive, chemicals, healthcare (pharmaceuticals and medical equipment), industrial manufacturing, utilities and technical engineering.

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## Carousel white papers

This white paper is the third in a series of white papers from Carousel. *Aftermarket not afterthought* was launched in summer 2016, followed by *Is technology driving the future of your logistics?* in summer 2017. These can all be found on the Carousel website, here: [carousel.eu/en/insights](https://carousel.eu/en/insights).

If you would like to be kept up to date with all the latest white papers as they become available, or if you would like to take part in a future report or suggest future topics, please email: [findoutmore@carousel.eu](mailto:findoutmore@carousel.eu)



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# Logistics: state of the nation

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# Logistics: state of the nation

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**“We’re not being operationally impacted but we are having to work ‘more’ to prepare.”**

German business in the chemicals industry.

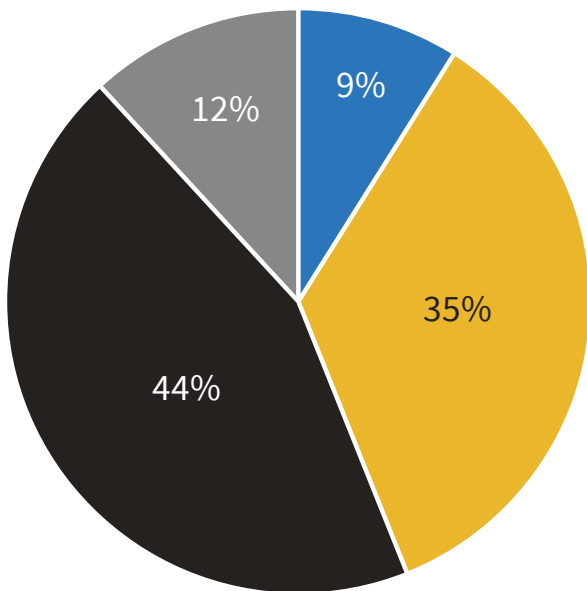
## **A lack of understanding is hindering preparations**

Our analysis of the sector reveals that a lack of clarity over the possible Brexit outcomes is hindering preparations. Despite a solid level of understanding about the specific mechanisms underpinning the UK’s departure from the EU, businesses do not feel they have enough information about the possible outcomes in order to prepare sufficiently. With the clock ticking on the final negotiation phase, the window for preparations is diminishing and businesses need clarity in order to act fast.

**“A key finding from our research found that only one in five UK companies feel informed about the consequences of Brexit on their business, while 44% feel they cannot prepare because so much is unknown. Only 9% of UK businesses report that they are fully prepared for Brexit.”**

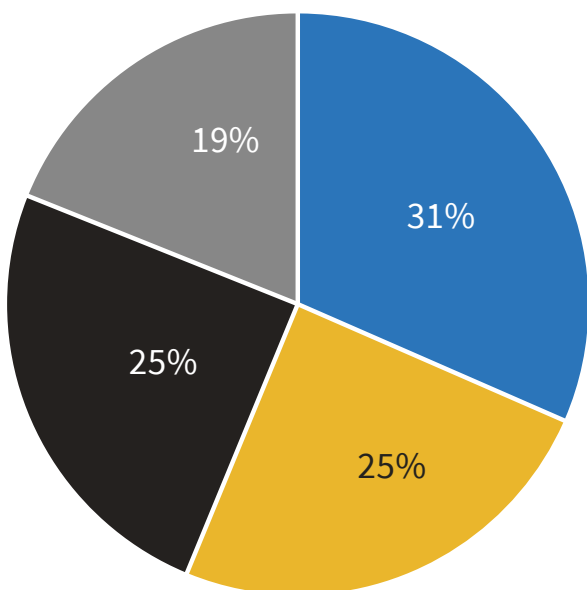
**Conversely, 58% of German businesses feel informed –** potentially a reflection of the fact that proportionately fewer German businesses would be directly affected by a specific UK/EU Free Trade Agreement.

## Have you prepared your supply chain for brexit? [UK]



- Yes, we are fully prepared
- Yes, a little but nowhere near ready
- We can't prepare as so much is unknown
- We haven't done anything as a business to prepare

## Have you prepared your supply chain for brexit? [DE]



- Yes, we are fully prepared
- Yes, a little but nowhere near ready
- We can't prepare as so much is unknown
- We haven't done anything as a business to prepare

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**“There is uncertainty in the marketplace.”**

German business in the healthcare industry.

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**“...until we receive more guidance on the likely outcomes of trade negotiations it’s difficult to plan anything.”**

UK business in the industrial manufacturing sector.

However, when respondents were asked about their awareness of certain pieces of Brexit legislation, around **90% were aware of the most pertinent Bills affecting the logistics sector**, indicating a fundamental willingness to understand the impact of Brexit on their businesses.

Bill name	% aware
The Trade Bill	87%
The Customs Bill (the Taxation Bill)	90%
The [Great] Repeal Bill	42%

However, a lack of clarity over the direct implications of these Bills is holding businesses back. **Only a third (35%) understand the implications of the Bills and how they may affect their business in the short or long-term.** This is a major obstacle for businesses that need to ensure they have the skills required to meet the changing supply chain needs of their business.

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## What do the Customs Bill and the Trade Bill mean for logistics?

**Unlike the Great Repeal Bill, which is the specific mechanism by which the UK will depart from the EU, the purpose of the Customs Bill – officially known as the Taxation (cross-border trade) Bill – and the Trade Bill is to set out the regulatory framework for post-Brexit trade.**

These Bills lay the parameters for future international trade deals including the collection of tariffs and other customs charges.

Various amendments to these Bills have been tabled by Leave and Remain-supporting MPs to ensure certain measures are blocked or retained. An amendment was tabled by Brexit-supporting MPs to ensure that the UK does not collect EU duties without reciprocal amendments. Similarly, an amendment was tabled by Remain-supporting MPs to keep the UK in the Customs Union.

The former amendment was accepted in the House of Commons and the latter was rejected. This significantly reduces the likelihood of the UK remaining in the Customs Union after Brexit, whilst simultaneously undermining the Prime Minister's proposals to stay closely aligned to the EU on customs arrangements.

In September 2018, these Bills will be going through the House of Lords for consideration and further amendments before being passed into law. The UK Government will then await a detailed response to the 'Chequers deal' from the EU, who may reject the proposal in any event.

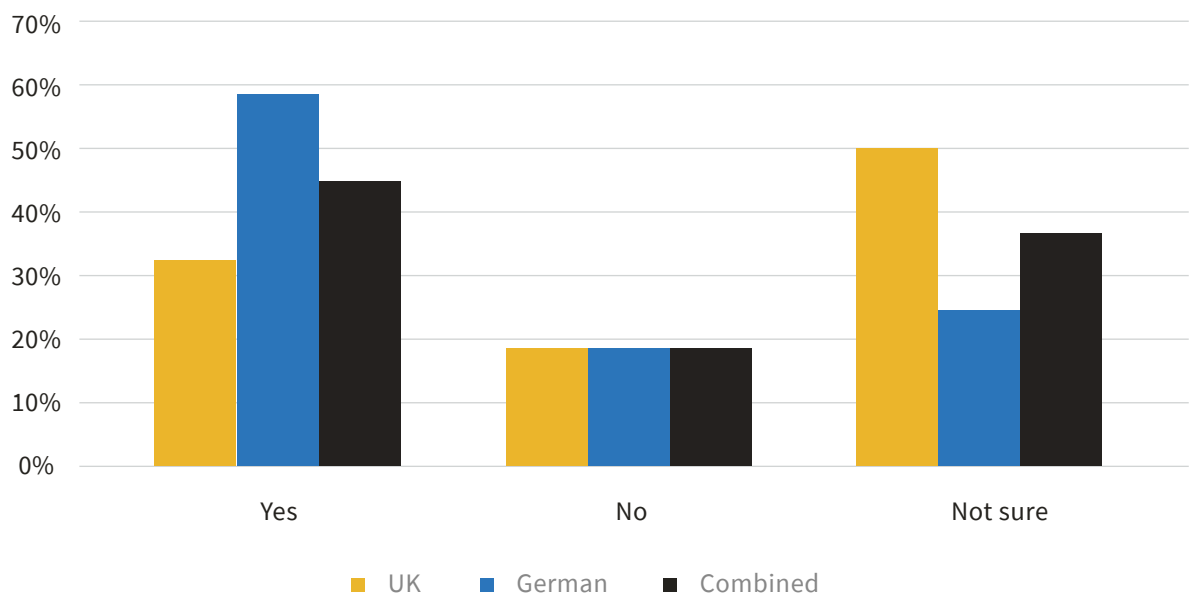


## Time to prepare

Despite a lack of certainty on the outcome of Brexit, both German and UK businesses are optimistic about the time required to prepare.

**Nearly half (46%) of all German and UK businesses believe they have time to plan for Brexit.** This is driven, at least in part, by the fact that many **(41%) manufacturers are not factoring Brexit into their long-term decision making** either way. Clearly, there is a significant contingent of businesses within the sector who are unconcerned about the impact of Brexit or are perhaps relatively relaxed about the time it will take to make the necessary preparations. However, this is accompanied by a large proportion (50%) of UK businesses who feel – not surprisingly – in the dark about how much time might be needed to prepare.

## Do you feel you will have an adequate amount of time to plan for Brexit, before March 2019?



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## Future prospects

Almost one-quarter of UK respondents report that Brexit has already had a negative impact on their business, and nearly a third (29%) believe it will be worse after Brexit too.

A key factor that could be driving this sentiment is the amount of resource that businesses may be required to allocate towards scenario planning. This is something that can sometimes disproportionately affect small and medium sized businesses, who don't always have the existing capability and infrastructure to deal with such change.

**“ German businesses are predominantly (69%) confident that the commercial environment will remain the same after Brexit. ”**

The majority of UK respondents are unsure, with half (50%) selecting 'not sure, too early to tell' - another indication that shows how businesses have a lack of clarity over potential outcomes.

An aerial photograph of a city skyline at sunset. The sky is a mix of orange, yellow, and blue. A prominent skyscraper with a spire is the central focus. Other buildings of various heights and styles are visible in the foreground and background. The text "Logistics services post-Brexit" is overlaid in white, centered on the image.

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Logistics services  
post-Brexit

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# Logistics services post-Brexit

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“We expect that there will be slower movement of raw materials, so there will be additional stock holding of materials.”

UK company in the healthcare industry.

There are many prevailing factors that could transform the logistics landscapes of both the UK and Germany in a post-Brexit landscape.

Whether the UK agrees an EEA membership, leaves on WTO terms, or agrees a bespoke Free Trade Agreement, what we do know is that its departure from the EU is already having an impact on the long-term business agenda.

Our analysis suggests that there will be significant changes in the way businesses locate stock and prioritise service capabilities. The question is, what impact could these changes have?

## The changing face of logistics

There is a growing sense within the market that most logistics providers may not be sufficiently equipped to cope with these future challenges. **Over a quarter (27%) of UK and a fifth (21%) of German businesses have considered relocating supply chain operations** from the UK to the rest of Europe in preparation for Brexit.

Within this quarter of UK businesses that say they have considered relocating their supply operations, Austria, France, Poland and Eastern Europe have all been named as alternative locations. One respondent – responsible for the Republic of Ireland – said they may establish an inventory hub there, supplied directly from Europe, as opposed to bringing goods in from the UK.

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## Thomas Griese European Chief Operating Officer at Carousel comments:

**“Agility is the key to helping companies adapt quickly to market needs and open-up new opportunities as they present themselves. However, a flexible approach – particularly for traditional providers – isn’t always that easy to achieve.**

“Nonetheless, with the right technology systems, flexible network options plus economies of scale, it is possible. All three of these attributes will be increasingly important for businesses when selecting a provider in a post-Brexit landscape.

“As such, international providers, who are already successfully navigating complex customs arrangements, will be best suited to tackling the potential problems at UK borders. Those that achieve just-in-time logistics at borders like Switzerland, for example, demonstrate that it is possible to maximise speed and efficiencies, just by applying the right expertise, technology, service options and processes.”

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**“We will probably hold more stock in the UK, especially if delivery times from the EU are extended.”**

UK company in the technical engineering industry.

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**“I think stock holdings in the UK will increase in the short term.”**

UK company in the industrial manufacturing industry.

## Stockpiling

The future location of stock is a prominent theme within the public debate around Brexit and the impact it may have on the UK.

Our research shows that **74% of UK businesses say they currently have no plans to change their stock holdings held in the UK**. The picture is similar in continental Europe. Less than a fifth (**17%**) of German businesses, however, plan to decrease their holding in the UK because of Brexit.

Of the possible responses to Brexit-related supply chain threats (such as delays), **increasing UK stock holdings was found to be a common response with 21% of UK businesses saying they would take this route**. Again, uncertainty is the prevailing feeling when it comes to what to do about UK stock levels – as **47% of UK businesses are also unsure** of the appropriate response to the same question.

## Bonded warehouses

Many businesses indicate that **Bonded Warehousing could be a viable option to consider in response to Brexit; nearly a quarter (24%) are now considering this option** in response to potential supply chain changes. Membership of the Customs Union has historically meant there is little need for Bonded Warehouses, but these latest findings could be an indication of how organisations could look to save money.

“We currently ship to Ireland via the UK, but depending on how the trade deals work, it may be better to ship this direct from the EU.”

UK company in the technology industry.

## Priorities for the movement of goods

By a significant margin (44%), our research shows that UK businesses are foreseeing an increase in logistics spend as a consequence of Brexit. This could be in anticipation of **rising fuel costs and increased tariffs at the borders, as a significant number (71% in the UK and 46% in Germany) predict that the costs of imports and exports will rise because of Brexit too.**

Against this backdrop, we see that businesses are coalescing around key priority areas which will each need to be addressed if they are to have any hope of easing the anticipated post-Brexit pressures. We can see from the chart below, that the key priorities are the tariffs on UK imports, the strength of the pound and ease of movement / red tape.

	Total Priority	UK ranking	Germany ranking
Ease of movement / extra red tape relating to customs	1	1	2
Tariffs on UK imports	2	4	1
Strength of the £	3	2	3
Maintaining customer / brand loyalty	4	3	6
Speed of delivery / additional border checks	5	5	5
How to remain competitive	6	7	4
Sustaining business growth	7	6	7
In-house expertise to support changes	8	8	8
Recruiting skilled workers from within the UK and EU	9	9	10
Fuel prices	10	10	9

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**“Little has been discussed / passed down through the organisation.”**

UK company in the technology industry.

## The importance of a central strategy

**Communication and a central strategy are often cited as the top priorities to focus on, when achieving any goal.**

In our survey, however, one respondent commented that their business did not appear to have a company-level strategy regarding Brexit. When asked about preparations he said: “Little has been discussed / passed down through the organisation.”

Businesses will only be able to meet their customer promise – consistently and reliably – by adopting a logistics solution that is agile enough to meet the changing demands of the whole business. This starts with a centralised strategy, no matter what the priorities end up being.



A white drone is shown in flight, carrying a white rectangular payload. The drone is positioned on the right side of the frame, with its four propellers visible. The background is a blurred cityscape at dusk or dawn, with buildings and lights visible. The overall tone is dark and moody.

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**Innovation over  
stagnation**

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# Innovation over stagnation

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**“Brexit has ‘forced’ us to evaluate our processes and consider whether these need changing.”**

UK company in the technical engineering industry.

**Uncertainty in business is always with us. Brexit, a political challenge, is the latest in a long list of disruptive forces which have shaped the logistics space; just like the growth of ecommerce, the advent of the Internet of Things and driverless vehicles.**

As with all these factors, Brexit also has the potential to drive some much-needed change and innovation.

History shows that businesses which are agile and willing to adapt in the face of challenges can succeed. The demise of Blockbuster and Nokia are just two examples where a failure to adapt has caused consequential losses. Meanwhile, market disruptors like Amazon and Uber, who continue to innovate year after year, are seizing more opportunities for growth, and gaining even greater market share.

Managing risk is an important part of this but not sufficient on its own. Businesses also need to assess how quickly they can change and adapt their supply chain solutions once decisions at a political level have been made.

## **Brexit is a catalyst for innovation**

It is encouraging to see that businesses are taking Brexit as an opportunity to innovate and reassess their current solutions. For instance, 24% of UK businesses think that the delivery of their services to customers will improve because of Brexit – this is a much higher proportion than their German counterparts. This could indicate a belief that Brexit is a catalyst for real change. As one respondent commented: “[Brexit] has kick-started a sharing of best practice” while another said: “It is good housekeeping”.

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## “Brexit has kick-started a sharing of best practice”

UK company in the technical engineering industry.

Conversely, we have seen that many businesses, however, are simply ‘waiting to see’ what the future holds before making plans. **While half of UK and German businesses say they have prepared their supply chain** (for some, even just a little), the other half say they have not prepared at all. More than two-thirds (70%) of those that gave this answer, claim this is because too much is unknown. The majority also say that they are slowing down plans regarding their supply chain strategy because of Brexit.

Innovation can help tighten supply chains, improve efficiencies and maintain an exceptional level of service (see next section). For the manufacturing sector, for example, innovation and agility can help make things like the reshoring of production possible or allow for just-in-time logistics. This goal is no truer than in the context of Brexit and what tariff structures might be in place in the future. A failure to innovate at any time, could leave some organisations far behind, and there is a chance that Brexit could widen this gap.

### Digitisation and technology

UK businesses may be more inclined towards technological solutions than their European counterparts. **Less than one fifth of German businesses (18%) say that Brexit has increased their need for better technology solutions, compared with over one third (38%) of those in the UK** who claim the same statement to be true. This could mean that Germany is already further along in developing a more modern supply chain operation, or that the UK is more concerned about efficiencies in post-Brexit climate.

From our report last year, *Is technology driving the future of your logistics?*, we know that technology is the key to enhancing customer experience and meeting the growing demands of both individuals and data-hungry businesses. Even without Brexit, investment in technology is now increasingly critical for those that want to stay ahead.

A person is operating an optometric device, likely a phoropter or similar instrument. The device has a large screen displaying a circular pattern and various data points. The screen shows "VD: 12.0", "PD: --", and "NO. 0030". Below the screen, there are several buttons labeled "MODE", "DIP", "Z-MAP", "AUTO", "IDL", and "FUNC". A hand is visible, holding a black hand crank on the right side of the device. The background is slightly blurred, showing a person's head and shoulders.

# Brexit and the customer experience

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# Brexit and the customer experience

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“Services to UK customers should remain the same, but I think our customers in Ireland may see an impact on their services.”

German business in the technology industry.

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“Inbound services from the EU – there may well be an increase in delivery times.”

UK company in the healthcare industry.

## Customer experience could be at risk

The need for businesses to align their logistics processes with customer expectation has been a top priority for the industry for some time, and Brexit has made this even more important.

**When we look at future service levels, nearly two thirds (62%) of UK businesses believe deliveries will be slower**, contrasting to nearly two thirds (63%) of German businesses who believe **services will remain the same**. However, if services do slow down and service levels drop, these two factors could massively impact customer satisfaction levels for organisations in the future. This could also explain why we found that more than one in ten believe the overall service level for customers will also be worse after Brexit.

And yet, despite these operational concerns, we can see that many are not preparing to respond to these potential challenges because too much is unknown. When you look at the combined responses from the UK and Germany (see page 23), *maintaining customer brand loyalty* was not named as one of the top-two priorities when respondents were asked what was most important to them, in regard to their post-Brexit supply chain logistics. This is not unsurprising in itself as the top issues could be described as more immediately business critical, however those not addressing service-level concerns now – even to the extent of risk mitigation – could leave themselves exposed for the future.

With customer loyalty arguably a key driver for gaining competitive advantage, the question therefore is, what impact could a priority of these issues have on the customer in the long-term?

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## Morton Griffiths, UK Managing Director at Carousel, comments on the role of the customer, post-Brexit:

“As well as tackling those ‘business critical’ issues – like red tape and border checks – as a priority, there’s also an argument for focusing closely on the customer service side of things, to better manage issues if and when they do arise.

“As Jo Causon – CEO of The Institute of Customer Service – has recently pointed out, the uncertainty of leaving the EU has caused more customers to seek consistent customer service. The Institute’s research has also found that many consumers would choose to pay more for outstanding levels of customer service.

“With that in mind, in any long-term supply chain strategy there needs to be a clear focus on training and development. If organisations can support their customers, they will be able to create secure and sustainable relationships and drive performance, and ultimately this means long-term growth too. This is an area where providers may also need to step-up their game, in order to support organisations with their strategies.”



The role of partners  
and providers

# The role of partners and providers

**As we’ve already pointed out, UK organisations feel less informed than German companies about the implications of Brexit on their business.**

This is further demonstrated when companies were asked the following three questions where, on average, over a third of UK businesses answered ‘don’t know’ or ‘not sure’:

- **Do you plan to import/export more due to Brexit?**
- **How is Brexit impacting your long-term decision making?**
- **What impact (if any) do you think Brexit will have on the level of stock you hold in the UK?**

So, where do organisations get their information?

The table below outlines the percentage of participants who identified each of the following sources (allowing for multiple choices).

	<b>Total</b>	<b>UK</b>	<b>Germany</b>
<b>Trade journals</b>	48%	35%	60%
<b>National newspapers</b>	57%	56%	57%
<b>Television</b>	59%	56%	63%
<b>Chamber of Commerce</b>	32%	29%	34%
<b>Trade bodies</b>	25%	35%	14%
<b>Logistics providers</b>	23%	35%	11%



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**“...it would be good to contact some industry experts to give us a full assessment of how our business will be impacted.”**

German business in the technical engineering sector.

Over a third (35%) of UK businesses say that their logistics providers are a main source of information for keeping up-to-date about Brexit, and it's a source that is relied upon as much as trade bodies or trade journals.

We can surmise therefore, that providers are potentially not supporting clients as much as they could be and not sharing valuable expertise as the Brexit negotiations unfold.

**“Perhaps a knowledge gap isn't that surprising. In the latest UK Logistics Confidence Index from Barclays and Moore Stephens (October 2017), we saw how 63% of providers said that their view on Brexit hasn't changed in the last 12 months, while 61% of logistics companies believe the impact of Brexit will be negative.**

**Nearly a quarter (23%) say they have taken no action and only 19% say they have had informal discussions with clients or trade organisations.”**

Providers need to be helping businesses stay innovated so they can stay ahead of the curve and apply logic to the challenges that are up ahead. For organisations to achieve success, the right provider needs to sign-up to a client's customer promise and commit to it, no matter the environment. It's widely acknowledged however that integrators aren't always well-placed to offer this level of agility and support.

The expectation levels from providers, however does not end there. **Nearly a third of respondents in our survey say that Brexit has prompted their business to be more innovative with solutions**, and this has increased their need for better technology solutions (27% and 28% respectively). Therefore, only the providers that have the right expertise, agility and innovative systems are likely to benefit from this confidence.

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“Brexit has prompted a review of the external environment... to see what other solutions are out there.”

German business in the manufacturing industry.

## The pressure is on

It is also indicated that the way companies approach logistics will change as **37% of companies are assessing the need for additional providers**. Furthermore, **44% of those in the UK expect that spend with their current provider will increase**, so a reliance on providers overall could increase too.

Additionally, when we asked organisations about their future logistics strategies, **22% said they planned to increase or decrease stock holding in the UK, with a further 34% confirming that this could also be a possibility**. For many businesses, these strategies will heavily rely on providers and this means they will need to flex to the changing needs of their clients and have an agile network to accommodate such requests quickly.

We've also seen that organisations are innovating and plan to accelerate some longer-term decisions because of Brexit. This could again show an increased need for providers to be both agile and work at a pace post-March 2019.



# Final thoughts

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# Final thoughts

**Clearly, there are a number of considerations for European businesses who are assessing the impact of Brexit on their supply chains. Unsurprisingly, businesses are looking for clarity from policymakers and direction from their providers.**

However, by listening to the specific concerns of business leaders in the UK and Germany, we get a much more detailed picture of the particular concerns that are shaping business decisions, as well as the steps business leaders are taking to mitigate the risks of market disruption.

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## General conclusions from our analysis:


- UK businesses feel less informed about the impact of Brexit than European counterparts
- Preparation work is being hindered by this lack of clarity over the potential outcomes of Brexit
- Businesses in both countries are surprisingly optimistic about the time required to prepare.

## Prospects for logistics:

- Whilst some businesses may consider relocating supply chains, the overwhelming majority remain committed to their stock holdings in the UK
- UK and German businesses will consider increasing stock holdings in the UK as a preferred response to Brexit-related threats
- The costs of imports and exports are anticipated to increase but red tape and frictionless borders are a priority for most businesses.

## How manufacturers will respond:

- Brexit appears to have been a catalyst for innovation as businesses reassess their current logistics solutions
- Agility and flexibility will be critical when tightening supply chains and improving efficiency, so that customer expectations can be met
- UK businesses are placing more emphasis on technological solutions as a response to Brexit-related threats.



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# Appendices

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# Taxation (Cross-border Trade) Bill 2017-19

The Taxation (Cross-border Trade) Bill, more commonly referred to as the 'Customs Bill', relates specifically to the customs framework which the UK will be putting in place as it leaves the European Union. A key aspect of this is the ability to build new trading relationships with the rest of the world.

Official summary:

**“A Bill to impose and regulate a duty of customs by reference to the importation of goods into the United Kingdom; to confer a power to impose and regulate a duty of customs by reference to the export of goods from the United Kingdom; to make other provisions in relation to any duty of customs in connection with the withdrawal of the United Kingdom from the EU; to amend the law relating to value added tax, and the law relating to any excise duty on goods, in connection with that withdrawal; and for connected purposes.”**

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# Trade Bill 2017-19

The Trade Bill, which follows a Trade White Paper, aims to help with the process of ‘transitioning’ the EU’s trade agreements to UK agreements. Trade agreements may need changes to domestic legislation in order for them to be implemented. The trade provisions of the Bill relate to this domestic implementing legislation rather than the trade agreements themselves. The Bill gives the Government powers to change domestic legislation to fulfil the obligations arising from certain trade agreements.

Official summary:

**“Make provision about the implementation of international trade agreements; to make provision establishing the Trade Remedies Authority and conferring functions on it; and to make provision about the collection and disclosure of information relating to trade.”**

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