



FOR SMEs
LOGISTICS
REMAIN THE
BIGGEST
CHALLENGE
POST-BREXIT

What are some of these challenges?

This article is part 3 in a series which focuses on three areas of difficulties that Britain's SMEs face continue to face: increased costs, labour shortages, **and logistics**.

Since the new year, the impact of Brexit has had a clear effect on every stage of the logistics process, from transport fees and new limitations to restrictions on imported goods. Further disruption is likely to happen with the exclusive announcement of Britain's potential intent to deviate from the Brexit deal if Northern Ireland negotiations are not given more flexibility. This could undo 5 years of negotiation.

CUSTOM CHANGES

As a consequence of the UK leaving the Single Market and Customs Union, the way businesses in Great Britain trade goods with the EU has changed. To export goods to the EU your business now needs to comply with new customs procedures, including UK export declarations and import requirements on entry to EU Member States. For importing goods into the UK, border controls are being introduced in stages to give businesses time to adapt, with full customs checks applying from January 2022. The Government is phasing in border controls from most goods over 2021.

“*Hard to predict delays at customs and the paperwork makes it impossible to guarantee timing and therefore profitability for some SMEs, causing them to pull out of the EU market.*”

*With HMRC expecting businesses to complete **270 million additional pieces of import paperwork each year**, this delay only gets worse before it gets better.*”

SUPPLY-CHAIN DISRUPTION

Even before Brexit, manufacturers were warning that Brexit could mean huge interruption of supplies from the EU and issues with key customers over cost and time.

As mentioned in part 2, UK SMEs have found themselves caught out by the country's worsening driver shortage. What's clear is that there is an unprecedented need for haulage – caused partly by the pandemic-fuelled rise in internet shopping – online sales in the UK saw an increase of 46.5% in 2020, with British consumers spending £110.6bn via ecommerce. Since May, lead times have extended, with orders that used to take three days to fulfil now taking more than two weeks as suppliers struggle to find a means for delivery .

This has had a large effect on those businesses with "just-in-time" supply chains, given the delays and uncertainties created by different EU member states processing new paperwork required for customs declarations, VAT and organic certification.

The owner of a boutique organic teas producer that sells to major supermarket chains across Europe, made the decision to move to the Netherlands and set up a split entity to continue to enable seamless onward distribution of products across the EU. An EU address greatly simplifies the complex process of obtaining EU-recognised certificates for organic products. Trade could be further disrupted if British holidaymakers head via the ports for European summer breaks. A pre-Brexit trade rush led to 20-mile queues, but Doug Bannister, CEO of the Port of Dover, told Reuters the site had so far managed the switch to customs checks well, after Britain left the EU trade bloc at the end of 2020. 2019 numbers of vehicles were to the tune of 2.4 million trucks, 2 million tourist cars and 74,000 coaches.

WAREHOUSING

A growing number of British firms, including ASOS and JD Sports, are seeking to ease the extra customs and tax administration involved in trading with the EU by opening warehouses or using customs warehouses and temporary storage facilities (both customs special procedures) on the Continent.

Setting up a separate operation in Europe means businesses would not have to deal with border issues or extra charges, paperwork and tax. They can distribute their goods across the EU Single Market (500 million customers) – from Rome and Madrid to Stockholm and Warsaw – in much the same way as they did before Brexit.

Huboo, the UK's fastest-growing fulfilment company has announced the opening of its first overseas fulfilment centre to the tune of 35,000 sqft in Eindhoven, the Netherlands. They were not the only ones to do so, Scottish hosiery company Snag Tights made the decision to open a warehouse in the Netherlands to handle all non-UK orders.

Yorkshire-based Monster Group was an early Brexit mover to the Netherlands. In order to guarantee next day deliver, they set up their European distribution centre at Venlo, just a few miles from the German border, in 2019.

In some cases, the government has been reported to promote the idea of relocation to mainland Europe to SMEs in order to reduce costs. Founder Simon Spurrel of Macclesfield-based The Cheshire Cheese Company was advised to seek warehouse space in Europe, after the £30 gift boxes required certification post-Brexit at a shipping cost of £180.

The network exists

Here at Channel Capital, we have the capability, local knowledge, and support network to make the transition to set up in mainland Europe (or even the decision to do so) easier for an SME.

Funding

Whilst we currently only fund businesses that are based in the UK, Belgium, Netherlands, and Germany we can fund export sales with the whole of Europe. We not only provide working capital, invoice finance up to 95% advance rate but can also provide credit insurance and debt collection capabilities as part of the package.

Credit Insurance and Collections

After 1st January, both EU and UK law requires companies to "have a door to knock on" if there are any disputes over payment. Compliance with customs changes will treat the UK as if it were any other non-EU country. This puts even more emphasis and importance for SMEs on having a local presence, to have an understanding of the process of collections, and a knowledge of local languages.

Our core language skills include Dutch, German and French which allows us to collect outstanding invoice payments from buyers/debtors as and when required by our SME clients.

Legal Support

If you are thinking of setting up an office in Europe, we can help to connect any SME to legal and structural experts to ensure that the correct due process, compliance, and forms are filled in.

At the end of the day, here at Channel we want to help UK SMEs who are thinking of setting up in Europe. Whether funding, insurance, outsourced collections or legal frameworks we have an existing network of people we would be happy to connect you to, and help you make the right decisions for your business.

For more information contact us today



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