



## The impact of Brexit on your purchasing strategy and 8 tips to help you navigate the risks

You may have considered the risks of Brexit for your business, but how about the opportunities? **Matt Roper** of **Buying Support Agency** shares top tips to mitigate purchasing and supply chain risks while preparing to seize opportunities.

With the UK triggering Article 50, now starts the challenging task of negotiating our exit in a way which delivers the best possible outcome for UK businesses.

I'd like to consider how those with purchasing and supply chain responsibilities in your business should prepare to cut the risks and seize the potential opportunities that reveal themselves through the Brexit process. Let me first consider the potential risks.

### Increased market uncertainty and inflationary pressures

The weakening of sterling against the key international currencies will make it more expensive to import raw materials. Oil prices, set in dollars, may rise due to currency movements even if your overseas suppliers are not themselves experiencing an uplift in costs.

The economic and political uncertainty risks dampening corporate and institutional investment within the UK, though a weak pound may encourage foreign investment despite the uncertainty. Lower investment could curb employment levels, thereby cutting domestic consumption and damaging UK economic growth. Should consumer demand and corporate investment fall, suppliers from the UK and overseas may seek price increases to protect their profit margins.

### Barriers to travel and movement of goods to and from the EU

A further inflationary threat is the raising of customs duties and greater administrative hurdles imposed on EU goods and services being imported into the UK. Added to this are the delays caused by customs checks. UK buyers need to think about the impact on their business of lengthy delays at UK ports and increased prices.

But with risk comes opportunity. Buyers dealing with EU based suppliers can turn negative into positive by engaging fully with them to both reassure and protect the supply chains. Conversely, even if relationships with EU suppliers sour, buyers may be unaware of some highly innovative and value add supply chains in the rest of the world, including within the UK itself. Positive consequences may well result in switching to non-EU suppliers, but only if buyers can develop the appropriate alternative supply strategies.

# Our eight tips to help buyers navigate Brexit...

1. Most importantly, **prepare an action plan** that considers the short, medium term and long term impact of Brexit on your business. Don't put your head in the sand, thinking that Brexit won't impact your business. No-one really knows the consequences of Brexit, and you can't control it, but you can at least plan ahead. You need an action plan to ensure that your supply chains are both flexible and secure;
2. **Audit your supply chains**, looking for risks and opportunities. Classify suppliers by degree of risk to the business, and do some 'what if' scenario planning, involving the whole business;
3. **Consider your own internal business** and the risks caused by supply chain disruption. Make sure that the buyers are working alongside colleagues in other parts of the business so they can discuss risks and options for mitigating those risks. And consider the opportunities too, such as exporting outside of the EU - though moving into new non-EU markets may require changes to product specifications and the adoption of new suppliers. This will all require a lot of time and resource, hence starting the planning now is vital;
4. **Review the contractual arrangements** with EU based suppliers, and consider re-negotiating terms such as contract duration and break clauses;
5. **Prepare for negotiations** should existing suppliers press for price increases as they seek to protect margins. Resist demands for price increases unless the suppliers can provide clear evidence that their demands are genuine. Consider switching suppliers if the impact of cost inflation is too severe;

6. **Start talking openly with EU based suppliers** and where appropriate begin planning joint strategies to mitigate risks (remember that your suppliers will also be concerned about losing your business so will want to work with you). And keep showing your support and appreciation of your EU suppliers, as anti-British sentiment in mainland Europe could increase your risks;
7. Ensure that you have **good quality supply market intelligence** gathering, so you can monitor potential supply risks or opportunities;
8. **Check that your internal finance and ERP systems can be adapted** to reflect changes such as lengthening order to delivery lead times, greater currency fluctuations, customs duties, etc. System changes will need planning and testing in advance otherwise risks will increase. Plus review all purchasing related online or offline documentation such as purchase orders, terms and conditions and delivery notes. Will these need to be amended post-Brexit to comply with any diversion between EU and UK legislation?

## Change is the one certainty

In summary, Brexit poses threats and opportunities for UK based purchasers. The one certainty is that big change in the business landscape is happening, for good and bad. It is therefore critical that you start to plan now. But there is no need to panic. By planning now, your business will be in much better shape to not only withstand any shocks but to seize upon the opportunities that will inevitably come from Brexit too.



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