

Brexit



## Brexit: Managing Change

Irrespective of sector or size of business, there is a lot that businesses can do to prepare themselves to manage business performance whilst navigating a changing commercial landscape.

Whether it is fluctuations in interest rates, currency volatility or delaying making investment decisions, all businesses agree they are looking for some certainty in an uncertain local and global environment. One such certainty is that companies will face a much tougher competitive landscape over the next 2/3 years and increasing competitiveness will be imperative going forward.

As a funder and partner to businesses we are seeing customer's actively planning, working through change scenarios to be as best positioned as possible to meet the challenges and take on opportunities going forward. Here is a glimpse of the six key areas they are focused on:

### Supply chains

- ▶ Considering how their supply chain could be impacted
- ▶ How could their supplier's supplier be affected? Talking to their suppliers to see how they may be impacted and what steps they are taking to address this
- ▶ Considering how they could re-engineer their supply chain to reduce risk or costs e.g.:
  - ▶ Sourcing products or raw material from elsewhere e.g. outside the EU or elsewhere in UK
  - ▶ Establish a presence in the EU, either through acquisition or setting up directly

### Route to Market

- ▶ Some businesses' route to market will be relatively straight forward, for example where they supply directly to a retailer or the end consumer. They can then assess their potential impacts on how they get their goods to market.
  - ▶ However, route to market is more complicated if your business supplies components where you do not have a detailed knowledge of your customer's customers, or the end market for the finished product that your component is used for.
  - ▶ Talk to your customers, especially those in the EU or customers that trade with the EU. It is important to consider what your customer's supply chain options are and if they can source from alternative suppliers.

### Trading in areas with Tariff and Non-Tariff Barriers

- ▶ A business which exports should understand what the potential tariffs will be as this varies significantly across different products and countries.
- ▶ Understanding your supply chain and route to market is important in identifying if you sell a component for a finished product which is then sold into another region with tariffs on that finished product, as this could impact

the price you can sell your product.

- ▶ If tariffs apply, can they be passed on to customers or would your business have to absorb the cost and what impact this would have on profit margins.
- ▶ It is important to also understand non-tariff barriers (e.g. customs checks). What impact would delays in receipt of goods or in getting goods to your customer have? It may involve a business considering changes to its processes to mitigate this.
- ▶ There may also be documentary requirements importing and exporting. Should the business invest and train staff to have the skillset to manage the potential documentary and logistical impact?

### Cash flow

A business should consider what impact the above may have on their cashflow.

- ▶ For example if there were delays in receipt of goods or in getting goods to market, what would be the cash flow impact of this or if any tariffs are applicable how to manage them in pricing and costings?
- ▶ Changes on when and how VAT is payable e.g. if it is payable at the point of entry. A business should assess what impact this would have on cash flow.

### Efficiencies

- ▶ There may be cost implications resulting from disruption or delays in supply chain or route to market or from the potential imposition of tariffs and some are looking at opportunities to improve efficiencies to reduce the impact of these.

### Market Diversification and Opportunities

- ▶ Companies are using this process to identify potential new market opportunities, diversifying and reducing reliance on particular markets for example looking at the GB market to become the domestic supplier to larger GB market firms.
- ▶ They are also planning investment in skills, digital and technology enablers which increase productivity and competitiveness.

Businesses are looking to refocus on the fundamentals of what drives a competitive business. Bank of Ireland UK's purpose is to enable our customers to thrive and we want to play our role to help to build confidence and support customers as they navigate through the changing commercial landscape. If you would like to talk about support around business growth, cash flow services and foreign exchange with one of our local business teams then drop into your local branch or business centre to speak to a member of our Business Team.



Gavin Kennedy,  
Head of Business  
Banking NI