

## How to develop “what-if” scenarios associated with Brexit supply chain risks

You should employ a structured approach for managing supply chain risk in the context of Brexit. This involves developing an understanding across the business of supply chain risk in the context of Brexit, and then selecting particular risk reduction approaches that are appropriate for your own business context.

An approach for complementing this analysis involves stress testing your supply chain. This allows you to understand and prioritise the key supply chain risks associated with Brexit. This involves developing “what-if” scenarios for particular points of the supply chain likely to be impacted by Brexit.

There are a number of steps in this process.

**Step 1:** Identify key suppliers, key customers and distribution points. Use the template in the Supply Chain Mapping topic for this activity.

**Step 2:** Analyse locations and the amounts of inventory held, which is represented by raw materials, work-in-progress and finished goods.

**Step 3:** Analyse each potential source of risk, which should help to assess possible supply chain impacts as well as your level of readiness for dealing with the risk.

- Potential questions that could be asked in relation to key suppliers include:
  - “What might happen if a key supplier could not deliver for a week as a result of a Brexit-related disruption?”
  - What if a supplier raised prices by 20% as a result of the impact of Brexit?”
- Potential questions that could be asked in relation to key customers include:
  - “What if demand went up or down by 20% due to Brexit?”
  - “What if a customer delayed cash payment by a month due to Brexit?”

The “what-if” scenarios associated with Brexit and supply chain risk along the supplier-related, internal and customer-related dimensions are summarised in Table 1.

# Get Supply Chain ready for Brexit

Table 1. Stress testing your supply chain around the Brexit risks

Risk	Supplier-related	Internal	Customer-related
Delay	What if there is a 25% increase in supplier lead-times due to customs delays?	What if production bottlenecks increase as a result of sporadic deliveries?	What if current shipping times increase by 25% post Brexit?
Disruption	What if changes to regulations post-Brexit mean that there will be a shortage of key materials from suppliers?	What if key materials are no longer available in the production process?	What if you lose key customers as a result of a 25% increase in prices due to tariffs and new transit arrangements?
Information technology systems	What if your supplier's IT systems are replaced after Brexit and are no longer compatible with your own systems due to changes in customs labelling and products regulations such as CE marking?	What if your IT systems are not up to the task of coping with increased customs requirements and labelling?	What if your IT systems can no longer manage distribution and delivery networks due to increased complexity or new shipping methods?
Forecast	What if supply chain forecasting becomes too complex for your suppliers after Brexit ?	What if demand forecasts are inaccurate due to stockpiling in the supply chain?	What if you can no longer accurately forecast customer demand post-Brexit due to necessary changes in your customer offerings including price, delivery and service levels?
Inventory	What if just-in-time arrangements with suppliers are no longer feasible due to delays?	What if holding extra inventory leads to reduced on-site capacity and increased production costs?	What if customs delays and more complicated demand forecasts lead to stock-outs at retailers?
Procurement	What if you have to end relationships with single source suppliers?	What if you do not have the in-house expertise and skills to manage more complex global sourcing arrangements?	What if you can no longer offer next day or expedited delivery arrangements?

The value of stress testing your supply chain is that it helps you to prepare for unpredictable events, rather than on debating endlessly on the likelihood of such events occurring. It should be emphasised that stress-testing the supply chain is part of best practice in supply chain management, as it better prepares you for unforeseen events which ultimately reduces risk and cost, whilst at the same improving customer service.