Supply chain risks in the context of Brexit

There are a number of potential risks for your supply chain associated with Brexit.

Delays

Delays in the supply chain are events that hinder or slow down product flows and affect the normal operation of the supply chain. Delays can happen when one of your suppliers cannot react to changes in customer demand or provide materials at the required quality levels.

How Brexit drives this risk:
The introduction of a hard border and lack of customs agreements will lead to non-tariff barriers such as extra documentation and red-tape at ports and border crossings. This will ultimately lead to delays, which in turn translate into longer lead-times.

Disruptions

The uncertainty associated with the outcome of a no-deal Brexit has the potential to lead to unpredictable disruptions on supply chains.

How Brexit drives this risk:
The regulatory environment is likely to change in the event of a no-deal Brexit leaving some supply chains susceptible to disruption. For example, many of your long-term supply chain relationships may have to come to an end as they may not be feasible after Brexit. This is particularly problematic if the supplier is the only supplier available for the raw materials.

Information technology systems risk

Information technology systems are a critical element of effective supply chain management. Increasingly, digital technologies can reduce the costs of integrating buyers and suppliers, and through electronic links, buyers and suppliers can automate the order management processes.

How Brexit drives this risk:

In the event of changes associated with Brexit you may need to change data in your enterprise resource planning (ERP) systems including revised routings or sourcing information, bill of materials and cost data, supplier data, invoicing, tax reporting, customs duty and VAT, and shipping costs.

Forecast risk

Forecast risk occurs when there is a mismatch between your firm's forecasted demand and actual demand. Where the forecast is too low, there will be stock-outs and poor service. Where forecasts are too high, there will be excess inventory and mark-downs in price. Long lead times and short product life cycles will further increase the forecast error and in turn increase the risks associated with Brexit.

How Brexit drives this risk:
As a result of Brexit, the stockpiling and warehousing of products in the retailer end of a supply chain could lead to additional costs further upstream with your suppliers.

Inventory and warehousing risk

Inventory risk is influenced by a number of factors including the rate of product obsolescence, inventory holding cost, product value and demand and supply uncertainty.

How Brexit drives this risk:
Brexit gives rise to both demand and supply uncertainties thus inventory management becomes a key concern for your firm. If your firm is operating just-in-time arrangements, you will be severely impacted and higher levels of inventory will be a consequence. In this case, you will need to engage in inventory planning and will require new inventory management strategies.

Procurement risk

Procurement risk refers to unexpected increases in purchasing costs as a result of changes in exchange rates or supplier price increases.

How Brexit drives this risk:
The impact of Brexit has already had a significant impact on the sterling-euro exchange rate. This has led to price increases for Northern Ireland firms sourcing materials from the EU, whilst the products of Republic of Ireland firms have become more expensive in Northern Ireland.