



The Global Language of Business

# **Brexit transition:** thoughts of an SME nation



# Introduction



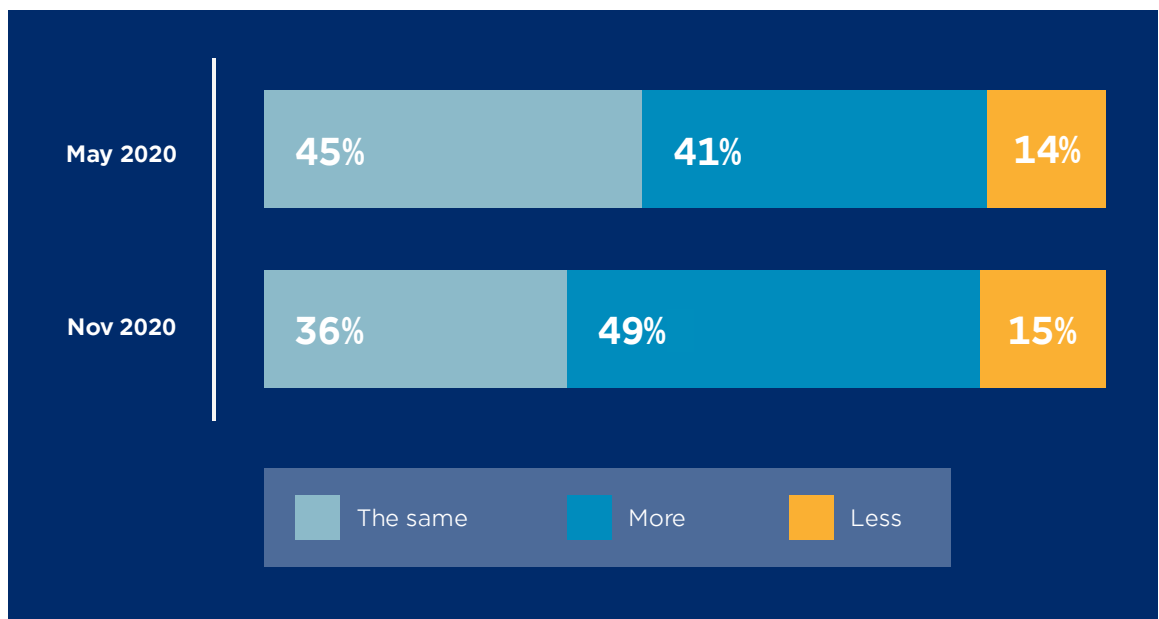
We are an SME nation, yet the voice of small business is often drowned out in times of disruption. We are currently living through two once-in-a-lifetime events, in the form of the coronavirus pandemic and Brexit, and we wanted our members to be heard as we rapidly approach the end of the crucial UK-EU transition period.

We conducted a survey on issues from the perceived impact of Brexit, to the clarity of Government guidance and whether companies have changed their minds on exporting to Europe altogether, and the results were revealing.



What stands out is a lack of confidence in the operating environment after January 2021 and a concern for business continuity. A majority of businesses feel unprepared for the end of the transition period and there is serious disquiet about the level of support from the UK Government.

## Are you more or less concerned about the impacts of Brexit since the onset of the coronavirus pandemic?



We first asked this question six weeks into the national lockdown in the UK, when the business world was first accessing Government support instruments like the furlough scheme, business grants and rates holidays.

In May, two in every five business owners were more worried about Brexit in light of the pandemic, seven months later, with unemployment at [4.8 per cent](#) and [500,000 businesses in financial distress](#), that had risen to half.

## How do you rate Government guidance or support on how to deal with EU trade after the transition period ends?



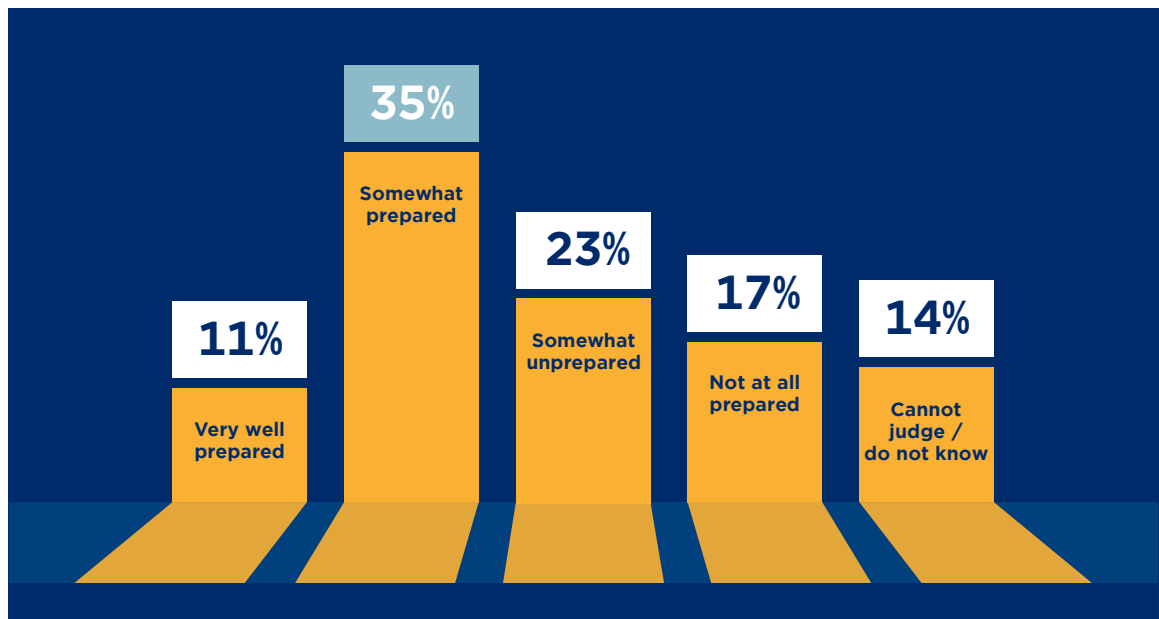
In the end, there will be 54 months between the result of the Brexit referendum and the end of the EU transition period.

Although the nature of the future relationship with the 27-nation bloc remains unclear to this day, clear communication and precise guidance of a complex and multifaceted political and economic issue was always going to be key in ensuring business continuity.

Alarmingly, despite the length of time afforded, one quarter of business owners we surveyed believed that the Government's guidance was "not clear at all", with only 6 per cent of SMEs calling it "very clear".

In all, almost two-thirds of those polled, 64 per cent, believed that Government advice lacked the clarity they needed to feel confident.

## How prepared do you feel for the end of the transition period?



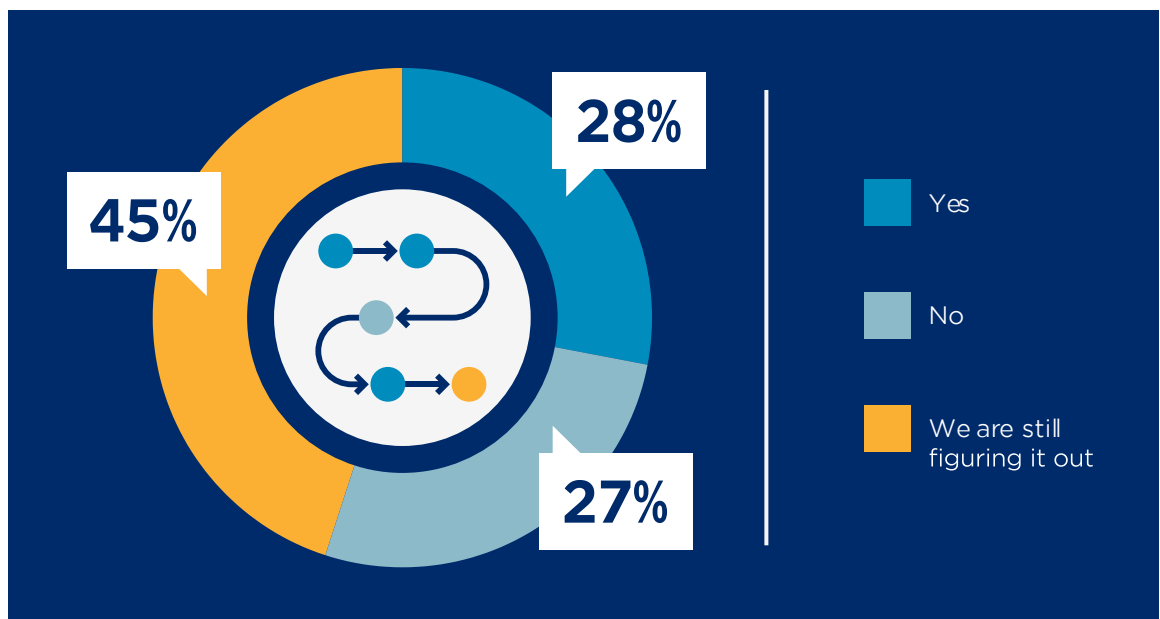
More than four years after the UK voted to leave the EU, [£8.1bn of Government preparedness spending](#) and a [£4.5m awareness campaign](#) later, SME owners are still in disarray when it comes to preparedness, with the end of the Brexit transition period weeks away.

While the majority of respondents affirmed that they were “somewhat prepared” for the end of the transition period, those saying they were “not at all prepared” outweighed the “very well prepared.”

In general, 40 per cent of those polled reported some degree of unreadiness for the new relationship of January 2021, compared to 46 per cent that affirmed they were in good position to face whatever came next.

A testament to the confusion caused by missed deadlines, extended negotiation periods and the uncertainty of what the future relationship with the EU will hold, is that 14 per cent of SMEs cannot even judge whether they are prepared or not.

## Has your organisation undertaken any scenario planning with regards to Brexit?



Scenario planning, by which you identify a set of uncertainties and plausible realities that could impact the future of your business, has been exercised in a commercial setting since the 1970s.

Adapted from the practice of military wargaming, its aim is to insulate companies from the risks posed by different but credible threats.

In the instance of Brexit, and given the direction of travel of negotiations that have led to this point, two of the possible scenarios are a so-called “thin deal” and the worst-case scenario, no deal at all.

Almost a third of companies have undertaken some kind of scenario planning, but seven out of ten companies have not, with almost half of all business owners saying that they were “still figuring it out” with only a few weeks until the hard deadline of 31 December.

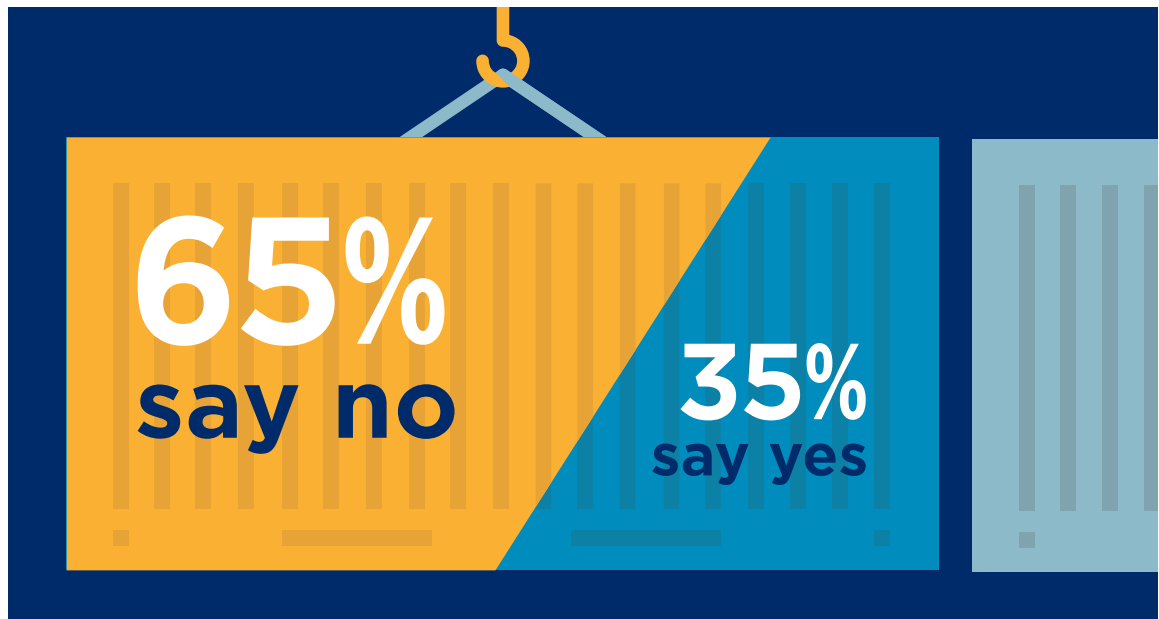
## Has preparing for Brexit taken time away from other business priorities?



Amid the negative effects of the global pandemic and the [worst annual economic performance in three centuries](#), many businesses have been in a fight for survival since the first national lockdown began in the UK in March 2020, and many will have already folded.

In the most difficult environment for businesses since World War II, it is worrying that more than half of SMEs have been diverted from key priorities to deal with whatever Brexit may bring.

## Have your plans to export to the EU changed amid transition uncertainty?



With a [double-dip downturn](#) around the corner and many businesses struggling through months of insecurity at home, uncertainty about the future trading relationship with the EU has caused business owners to rethink their attitudes towards exporting.

A third of those surveyed said that they had changed their plans to export to the EU, based on the lack of transparency of the ongoing negotiations. Pre-pandemic, [46 per cent of UK goods were exported to the EU 27](#), accounting for 7.7 per cent of national GDP.

If so many are intent on withdrawing from the export market, this could greatly widen the blackhole in UK finances that has been caused by the coronavirus crisis.



# Final thoughts



The way 2020 has panned out will mean that the final days of Brexit will always be viewed through the prism of the pandemic.

In their own way, both are world-changing events, but they diverge in their origins and response: the coronavirus pandemic emerged from the biosphere unannounced and the fightback began on the back foot. Brexit came about after a democratic process and we had four years to prepare a robust response. What is clear from this survey, is that our members do not feel that has happened.

Our members are concerned and confused about the road ahead, and that insecurity has taken time away from their key business functions, and the enthusiasm for expanding their horizons beyond these shores. In the form of GS1 standards, unique product identification is one of the things that will remain seamless and frictionless in any new commercial reality.



It is true that coronavirus may have curtailed some development, but many SMEs have taken the opportunity to grow new routes to market, reach out to new consumers and create long-lasting relationships. At this stage, we do not know all the rules that will govern UK-EU trade from 1 January – we do know, however, that collaboration will be crucial in the weeks and months ahead. GS1 UK will be with you throughout.

# End-of-transition prep list

It is never too late to prepare – especially for something as important as the end of the Brexit transition period.

We've put together a list of some of the most important things you should be preparing for before 1 January 2021.



## Consider warehousing and stockpiling

A lot of storage space has already been bought up in advance of the Christmas season, meaning the peak period is the worst time of year for the end of the transition period. Make sure you have made provisions for the space needed for your goods.



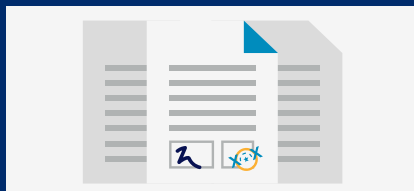
## Hedge on currency

The British pound has undergone several price fluctuations in recent months, and hedging could potentially help mitigate the risk of a severe and sudden sterling devaluation.



## Brief logistics companies and hauliers in advance

With distribution expected to land and sea freight, make sure that the people charged with transporting your goods have a robust contingency plan for all outcomes.



## Determine the responsibility of declarations

Decide if you want to hire an import-export agent, or make the declarations yourself. You should also engage with the organisation that transports your goods to agree a division of responsibility with regards to declarations.



## Consider marketing standard changes

Certain product categories may be subject to these, and if you export any of the following to the EU, you will need to meet the requirements for third countries: beef and veal, eggs, fruits and vegetables, hatching eggs and chicks, hops, poultry, meat and wines.



### Read up on chemical regulation procedures

Visit the Health and Safety Executive (HSE) website for information on how each of the chemicals regimes will be affected. You will also need to read the UK REACH guidance for actions for businesses using chemicals.



### Prepare for food label changes

Those working in the industry must plan for an overhaul of food labels if the UK leaves the EU without a negotiated trade deal (find further advice on our website [here](#)).



### Employment

There will be no change to the way EU, European Economic Area and Swiss citizens prove their right to work until January 2021. Read more about this on the [UK governments website](#).



### Data protection compliance

To ensure your business is fully compliant with data protection law in the event of a no-deal scenario, there is a six-step process to be aware of (which can be found [here](#)).



### Economic Operator Registration and Identification (EORI numbers)

There are several exceptions to the rule, but simply put, you will need an EORI to continue “to move goods into or out of the EU (including the UK)”. If you have not registered or been notified of enrolment, get yours [here](#).

# Useful resources

While the path ahead remains unclear for the British business community, at GS1 UK, we can assure you that your identifiers will work as seamlessly and frictionlessly as before, come a deal, no deal, rain or shine.

Below is a selection of resources that we've pooled from across the community that we hope might help you to prepare for the world after 31 December 2020.

## UK Government resources

Webinar page: <https://www.events.great.gov.uk/ehome/index.php?eventid=200208057&>

Transition checklist: <https://www.gov.uk/transition-check/questions>

Overall transition changes: <https://www.gov.uk/transition>

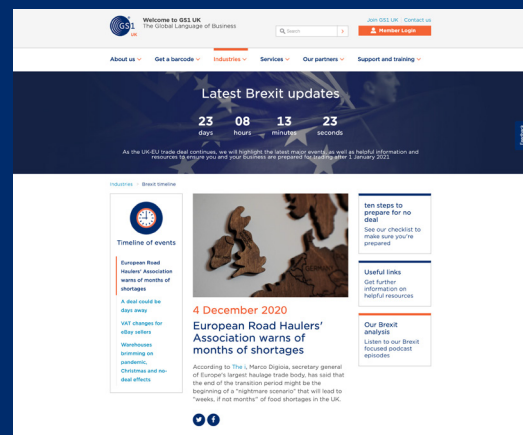
Current trade agreements: <https://www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries-in-a-no-deal-brexite#trade-agreements-that-have-been-signed>

## Brexit coverage at GS1 UK

Our Brexit hub is counting down until the end of the EU transition period and beyond, highlighting some of the key events in the almost five-year story from referendum to the future relationship with the world's largest trading bloc.

Check out daily news stories and pertinent social media posts, as well as Government advice and our own analysis and resources.

<https://www.gs1uk.org/our-industries/eu-trade-updates>



## Between the lines podcasts





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