

Brexit Perspective for the Retail Industry.

The global pandemic is further compounding the challenges of Brexit. A recent report by the LSE suggests that the dual impact of the global pandemic and Brexit will leave little time and resources for businesses to adapt and mitigate numerous risks. Many businesses have used up limited reserves and stockpiles, which were earmarked for Brexit, during the pandemic, leaving them fragile and exposed.

As a result of the uncertainty, Brexit remains a key topic on the risk registers of many organisations and according to the [2020 Deloitte Report of Reports](#), 24% of organisations cite it as a principal risk to their business strategy whilst a further 42% include it within a broader risk category. Brexit is also a key topic on mid-year earnings calls for 40% of the companies of the FTSE 100 industries analysed by [FactSet](#).

Now that a deal has been agreed, this is the start of a new relationship, which, in itself, will take time to bed in. Although there will be inevitable tweaks and changes to the ways of working and the increase in bureaucracy & regulations, now is the time to focus on the next chapter of Brexit.

The UK Retail Industry

A combination of Brexit, the pandemic and the end of tax refunds for tourists, is accelerating the disruption in the retail industry and reinforcing the trends that have already started before 2020: the shift to e-commerce, greater focus on sustainability and supply chains, and an acceptance of the circular business model.

Important facts for UK retailers are that the EU, has been the UK's largest trading partner; the EU accounts for 43% of all the UK's exports, worth £300bn a year, and the bloc is the source of 51% of the UK's imports. When it comes to food, almost 80% of all the food that UK retailers import comes from the EU, and 60% of UK exports goes to the EU, worth £24bn a year.

Robust plans will be required not only to manage the cost arising from Brexit but also to take advantage of the opportunities, such as the creation of new supply chains and the localisation of operations. Retailers need to be able to transform in order to thrive in this fast changing and unpredictable environment. Here's how SAP can help

1. **Trade:** Whether a free-trade agreement takes place or not (FTA), Retailers trading goods across the UK-EU border will need to be prepared for new import/export procedures. They will need to ensure they have the right information to complete customs declarations, provide security and safety data and pay attention to additional licence and certification requirements of certain goods.

SAP can help speed up retailers' cross-border supply by automating and streamlining trade processes, in order to control costs, reduce the risk of penalties and clear customs faster whilst centralising global trade management in a single repository.

[SAP Global Trade Services](#)

2. **Standards:** Regulatory requirements and relevant EU legislations (food product labelling, non-food product safety, weights and measures, waste & recycling etc...) need to be carefully examined, as these may also require retailers to have two sets of packaging and labelling for the UK and EU markets.

SAP helps retailers to enforce compliance at each step of the product lifecycle. SAP enables businesses to manage regulations, registrations, substance volumes, classify products,

create compliance documents, to manage packaging, transport, and store hazardous materials properly with accurate labelling.

[SAP Product Compliance](#)

- 3. Labour Cost:** With EU migrants the major source of labour for retailers, any restriction on freedom of movement could result in a restricted labour pool, which would in turn increase the cost of labour, building inflationary pressure. Retailers may have more difficulty finding manual labourers at costs that allow them to remain competitive as many of these workers may have come from European countries in the past, without too much difficulty moving around the EU.

SAP helps organizations find, engage, manage, pay, and unlock value from growing an external workforce – proactively manage everything from costs and compliance to security and the quality of work through a connected ecosystem of global talent and partners.

[SAP Field Glass](#)

- 4. Prices:** The precise impact on food prices will depend upon what tariff rates are applied to imports, if no trade deal is reached with the EU (Hard Brexit), one of the most noticeable impacts will be trading under the WTO terms, which will apply tariffs up to 35% for some food items. British Retail Consortium's exercise of applying these new tariffs on retailers supply chain brings a £3.1bn tax bill for the food we cannot source in UK.

As the UK becomes an independent trade entity, retail companies will have to be much more diligent in determining the most cost-effective way to get their products onto the aisles. Managing different cost factors from procurement to sales, index-based pricing considering competition and tracking real margin and profitability across the value chain requires the use of advanced pricing and profitability tools. With SAP, you can streamline smart and dynamic pricing optimization, automate the management of billback/chargeback calculations, evaluating profitability of contract proposals both pre and post, and simulation capabilities for future program planning.

[SAP Intelligent Pricing, Paybacks & Chargebacks](#)

- 5. Supply Chain:** Many large retailers and ecommerce companies rely heavily on optimised distribution networks in order to remain competitive in the marketplace. The 10,000 lorries that cross the Channel every day will face new customs, security and veterinary checks because the UK is leaving the EU's customs union. This could cause severe delays in logistics if hauliers do not have the right paperwork and are turned back at the border. Retailers will need to reassess their supply chains and sourcing agreements with distribution and logistics agreements, adding an additional layer of complexity.

SAP helps retailers to manage logistics transactions, exchange documents with key business partners and gain transparency across the complete value chain through an open, network of networks strategy. With SAP, retailers can run collaborative sales and operations planning and extend their demand fulfilment plans to their trading partners providing real-time visibility for accurate delivery schedules.

[SAP Logistics Business Network](#)

[SAP Ariba Supply Chain Solution for Full Visibility](#)

[SAP Integrated Business Planning](#)

6. **Data Privacy and Security:** Businesses will also need to review any cross-border flows of personal data for customers and employees. The UK will not necessarily obtain an 'adequacy status' for the purposes of the General Data Protection Regulation (GDPR) and so organisations will need to ensure they have appropriate mitigations in place, or risk significant fines for any breaches.

With SAP, retailers can meet global data privacy requirements and build customer trust by offering transparency and personal data control; maintain proof of how, when, where and why customer data is collected and processed; address many of the toughest requirements of consumer data privacy regulations and provide transparency into the use of customers' personal data.

[SAP Customer Data Cloud](#)