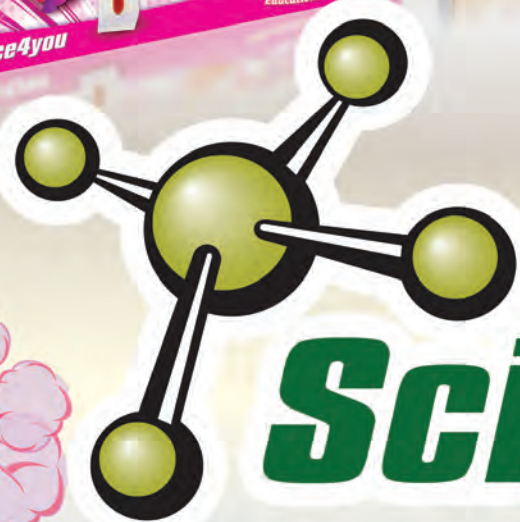


# toyworld

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The business magazine with a passion for toys

## REINVENTING FUN THROUGH EDUCATION



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# Brexit strategy

Toy World spoke to Mike Thomas, client services director at Import Services, about the potential implications of Brexit on the shipping and logistics sector, and the challenges facing the toy industry in particular during this period.



**Given that the situation with Brexit is changing on an almost daily basis, how is Import Services planning for our split from the EU?**

Import Services is in a rather privileged position,

close to the container port of Southampton and with all our sites Customs bonded. This means we can hold our clients' stocks free of VAT & Duty until distributed to UK, Continental European and overseas customers. The practice of managing order flows intra EU and outside Customs areas is already established, as indeed are our order tracking, documentation and reporting systems, for this purpose.

In terms of planning we envisage a programme of expansion to accommodate the growth in demand for our services, evident now and extending beyond March 2019.

## **What are the biggest challenges posed by Brexit for the toy industry?**

The key challenge will be compliance with the new rules governing commercial transactions and the physical movement across frontiers. In terms of the former, Import Services is practised and can adapt its systems to meet new regimes; however, if a hard Brexit takes place and borders are not frictionless, the likely outcome will be a lengthening of order cycle time and potential stock build.

To mitigate this, clearly the shorter the period between the arrival of a container at port, through stock receipt, order processing and pre-retailing, before distribution to end-customer, the better. We therefore believe our Southampton container port location will become ever more attractive to Fast Moving Consumer Goods (FMGC). Freight corridors comprising time sensitive and seasonal spikes in activity is quintessentially the toy & games sector, and is therefore a logical fit.

## **How is Import Services addressing these challenges?**

Ensuring that our TRAC IT systems evolve swiftly, plus automating and adapting our networks which link clients (toy suppliers), retailers and carriers is the key to success.

Furthermore, scale is important. The latter enables efficient freight management, particularly as ever larger container ships arrive carrying greater numbers of containers per vessel call.

## **Whatever the specifics of the eventual outcome, do you see higher prices in logistics post-Brexit?**

Naturally, this depends on the regime which emerges. However, it is inevitable that a hard Brexit will create higher costs, as order cycle times elongate, having been affected by processing between jurisdictions and physical movement across frontiers.

## **Are there ways to mitigate potential additional costs?**

Order consolidation amongst our clients is helpful, and we encourage this via our managed in-house bookings processes. As we are currently delivering to 64 Amazon sites across the UK and Continental Europe daily, consolidation and route planning, where practicable, makes sense, as indeed do fast track processes developed with vested parties. These involve electronic exchanges of documentation such as Advanced Shipping Notices (ASNs), which will play a key role in mitigating cost.

## **Reports are circulating that post-Brexit we will see huge lorry queues and long delays at our ports – what are your views on this?**

This could be a real picture should a Hard Brexit materialise, and the government is already planning additional lorry holding pens for emergency purposes to maintain orderly flow. The use of other ports, apart from Dover and the Channel Tunnel, will also come into play, to reduce pressure via these high-volume freight corridors.

## **Do you think the situation surrounding the Irish border will have implications for both British and Irish businesses?**

The trading arrangements across an Irish border may well promote further use of freight hubs in the North and South, which is typically how the current model works in terms of regional trade and distribution. If necessary, clearance of freight can also take place electronically and while freight is in transit, which would alleviate cross-border hold ups.

## **Do you foresee Irish retailers buying directly from European suppliers to bypass British border and Customs issues?**

As always, market pricing will determine trading patterns. However, in our view trade between the UK and NI/Eire will continue unabated.

Furthermore, we feel that the opportunities flowing from Brexit should buoy UK import and export trade. We are already seeing this materialise, developing as a European retail logistics hub, particularly for US toy and game suppliers. Therefore, the notion of Brexit doing anything but generating demand for agile logistics services, and leveraging growth at port-based locations, has not yet appeared on our radar.

## **Do you feel that both the UK and EU will cope with customs procedures, given that inspectors can take up to three years to train? And with a fivefold increase in customs declarations, will UK officials be able to find the extra staff required in time for Brexit?**

Both of these questions concern recruitment and training, plus physical capacity at borders, pointing to a lengthy transition, unless a more frictionless process involving systems based clearance can be agreed. The UKWA logistics forum has raised these issues raised directly with government and we are keen to clarify with them the practical outcome when the negotiations are further advanced.

