

Weightmans evolve:

Building a resilient supply chain for the future



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Foreword

It has never been more imperative to stay ahead of the curve.

This simple statement, in a nutshell, is the rationale behind Weightmans' second report appraising the future of supply chains.

Competitive advantages must be grasped the instant they present themselves, particularly during the unprecedented times we're all working through.

Our aim in the pages that follow is to highlight where those advantages are emerging to help you acquire them, and not to lose those you may already have.

In summer 2019, when our last report was produced, I was struck by the rate of change within the sector.

I'd never witnessed anything like it in more than 20 years acting for clients.

We discussed topics which were, in some instances, about making a good offering even better.

Technological solutions, from robotics and automation to the Internet of Things (IoT) and smart contracts, continue to revolutionise the supply chain by increasing efficiency and reducing costs.

But at that point, Brexit had not taken place, driver shortages had not become front page news and no one had heard of Coronavirus.

That's why the time is now right to go back to the industry to discover precisely what additional lessons have been learned and how unforeseen and previously unencountered challenges are successfully being traversed.

We've spoken to some of the best-known companies in the UK who are having to deal with different elements of the supply chain, from manufacturers to retailers as well as transport and logistics providers. In addition, we've provided commentary from those at Weightmans who have helped these clients navigate the recent turmoil.

At Weightmans, we're committed to ensuring that all businesses within the supply chain can forge the best possible future.

In short, we'll do everything possible to place you and your business at the front of the curve.

I am indebted to all contributors who made their time and expertise available to assist with the compilation of this report.

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Introduction

Weightmans places a premium on promoting the success of companies that forge the future of the UK's supply chain.

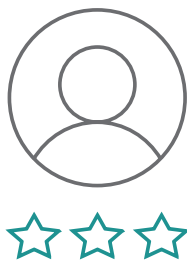
This has long been an area of expertise for us, and was recognised long before the Covid-19 pandemic shone a spotlight on the sector's resilience.

We are committed to providing the key insights businesses require to compete both nationally and internationally.

In summer 2019, our first report surveyed more than one hundred senior supply chain professionals across multiple sectors to provide a comprehensive overview of the key issues facing them at that point.

On this occasion, we've adopted a different approach.

We've spoken to a smaller pool of 12 industry experts to get to the heart of the issues they are facing.



What's causing them the most operational difficulties? What must happen to resolve these problems? Is positivity about the future now manifesting itself?

Many of the responses highlighted on the pages that follow will strike a chord with others within this industry.

But some of the results of our investigations were undoubtedly surprising.

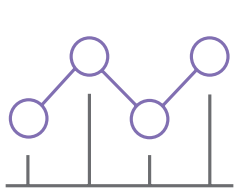
For example, many (but not all) companies have proved remarkably resilient over the past two years which owes much to the ingenuity that has so clearly manifested itself. However, we have seen that some elements of the regulatory framework in which our contributors operate add administrative burdens, impacting on their bottom line.

In addition to both the pandemic and Brexit, all views expressed in the following pages should be appraised within the context of increased regulation and environmental concerns, both concerns that Weightmans have been working closely with clients to address.

Unique challenges require flexibility

The 24 months between January 2020 and the end of 2021 have been a period of significant and rapidly changing challenges for those involved in many parts of the supply chain.

Taking the period as a whole, the three most common challenges reported were increase or change in market demand, a shortage of workers and stock shortages, all of which were named by 10 out of 12 respondents.



increase
or change in
market demand

“Demand for some goods, like garden furniture and building materials, increased and caused supply chain shortages while other items, suitcases for instance, saw no demand at all and sat in warehouses or containers.

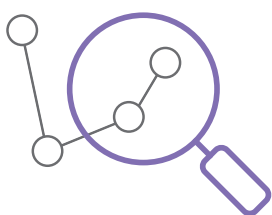
“At the end of 2020, the Brexit deadline caused another period of change with stock surges and more big fluctuations in supply and demand. Through 2021, the big challenge has been the driver shortage, but there was also the Ever Given Suez Canal blockage, which created supply continuity issues through the summer of 2021.”

a shortage of
workers



One of the big causes underpinning the rapid changes was the almost wholesale shift to e-commerce in some retail sectors.

Stephen Basey-Fisher, Managing Director of Century Logistics, said: “Before Covid, roughly 20% of our customers were e-commerce businesses and the remainder were bricks and mortar retailers. When the pandemic hit, we found ourselves doing a much higher volume of work for the 20%, and very little for the rest. But, because demand for e-commerce products exploded, we ended up maintaining our overall volume of work.”



stock
shortages

However, the main challenges have shifted dramatically throughout the period, as Stephen Carr, Group Director of Peel Ports explains: “Up to August 2020, there was an expectation of a 2008-style financial crash, and many were anticipating reduced product volumes. However, things went in an unexpected direction, assisted by the furlough scheme, where we actually just saw a huge shift in consumer demand.

A current and likely ongoing issue are the costs and potential delays in exporting to different EU states post-Brexit from the UK. Gary Marshall, Operations Director at Lifetime Brands agrees “There is a considerable administrative burden of preparing the necessary documentation to send the same product to different jurisdictions and these requirements have and will change. Multiply that issue over multiple product lines and the issue is huge”.

The death of just in time

The scale of the market changes, both in terms of supply and demand, have meant many supply chain businesses have had to make fundamental and long-term changes to the way they work. In our last report we touched on the ‘just in time’ methodology for some sectors; now it is becoming ‘just in case’.

Stephen Basey-Fisher said: “It was surprising to our customers how quickly things could change, and how reliant we are on ‘just in time’ working. There was a false sense of security that there was more resilience in the system, and that has been laid bare in the past 18 months.

“Things changed far quicker than almost anyone had expected, whether it was from the supply chain, the staffing, pretty much everything about the way we worked. It all had to be reviewed extremely quickly and re-oriented around e-commerce, and with the new supply challenges in mind.

This view was echoed by Stephen Carr: “The ‘just in time’ logistics model pre 2020 is fine, but has no true resilience.

“For example, the weaknesses in the system underpinning the current driver issue aren’t new, they have just been exposed by challenging conditions. At Peel, we have for many years been championing rail and short sea as an alternative solution to over-reliance on road transport. This is also aligned more to zero carbon, which is the next big challenge coming down the line.”

Lili Oliver, National Head of Transport and logistics at Weightmans said: “There is a real sense across our clients of a need for a more resilient industry, with a realisation on the part of the customer of the fragility of the supply chain, and a shifting acceptance of the need for tight margins to be shared throughout.”

Planning for just in case

The fluctuations in supply and demand have caused many businesses to tighten up contractual arrangements with their suppliers. There is a consensus among the business leaders in the study that ensuring ‘minimum stock levels to be held by their suppliers’ has become the most important contractual or practical measures they’ve put in place to ensure effective stock control.

Contractual trends

Nicola Gonnella, Commercial contracts Partner at Weightmans said: “There are a number of contractual measures companies can take to help mitigate common risks and challenges. These include developing supply chain risk-management and business-continuity provisions in contracts, building stronger relationships with key suppliers and putting systems in place to provide visibility across the extended supply network. This allows firms to better understand risks and drive specific actions based on priorities.



“An increase in agile working is also apparent, with companies developing agility in their production and distribution networks to help balance supply to demand, along with investing in supply chain planning and control to better respond to and predict supply chain issues.

“Other helpful measures seen by some companies include diversifying supply chains from a geographic perspective to reduce the supply-side risks from any one country or region, multi-sourcing key commodities or strategic components to reduce reliance on any one supplier, and implementing well considered inventory to buffer against supply chain disruption.”

Supply chain interruptions, changing consumer demand and the requirement for minimum stock levels have had a knock-on effect on warehousing requirements, with more space now required. Specific to retail, the shift to e-commerce is creating demand for urban delivery hubs to supplement regional distribution centres. These hubs help to balance consumer demand for speedy delivery, with environmental pressures to shorten delivery mileage.

The societal impact of urban delivery hubs

According to Simon Colvin, National Head of Energy and utilities at Weightmans, “The greater benefit that could be derived from smaller urban hubs is their sphere of impact, where they could be designed, built and operated in a way that means they have multiple benefits to the communities in which they are based. These include from an energy perspective, from a community space perspective, in terms of biodiversity and net gain, and on many other levels too.



One of the things that the ESG agenda has meant is the assessment of ‘value’ in more than just monetary or cost terms. Those establishing urban hubs need to think more widely and look at the possibilities through an ESG lens to understand their true potential.”

In some cases, supply interruptions have prompted businesses to circumvent mainstream logistics and shipping options altogether and make their own arrangements. According to Stephen Carr: “We saw a few logistics operators moving towards completely different models, rather than booking container space on board large vessel from the Far East, for example, some operators were chartering smaller vessels themselves to guarantee continuity of supply to customers, and to satisfy seasonal demands.” As we look to the future, these moves are being incorporated into contingency plans to reduce transport disruption.

The new just in case strategy prompted companies to adopt and invest in technology. In line with other sectors, during the worst periods of the pandemic, this meant adjusting to social distancing and managers working from home, and some of the measures have become permanent.

For a senior team member at manufacturer ContiTech, the key to managing supply chain challenges is a combination of two key disciplines: “using an appropriate warehouse management system and good reconciliation management.”

When asked which technological advance has had the most positive impact on supply chains in the 18 months leading up to the survey, the most common response was big data and analytics, named by five of 12 respondents. These technologies have helped create supply chain and stock level transparency, provided the impetus to improve customer journeys and ultimately boost company profitability.

Big data: managing the risks

Ed Lewis, National Head of Cyber at Weightmans said: “While the increasing importance of personal data is easy to see, it’s important to acknowledge that it is the leverage in the overwhelming number of ransomware attacks, and, indeed, the target in many of the other forms of cyber-attacks.



“At the same time, the control and processing of personal data for legitimate purposes is also highly regulated. For organisations which allow the personal data they hold to be compromised, there can be a multitude of financial and reputational consequences, including sanctions imposed by regulators and claims for compensation from customers, staff and business partners.

“Increasingly the cornerstone of many data protection laws, not least UK GDPR, is an obligation to put in place technical and organisational measures appropriate to protect personal data from coming into harm’s way.

“Getting these measures right and then satisfying scrutiny when a cyber security incident occurs is far from easy. For the executives and managers who make these decisions, it adds the extra burden of potential personal exposure. Specialist help and expertise is therefore essential, which at Weightmans we uniquely positioned to be able to provide for clients via our dedicated Cyber & Data business called CyXcel.”

“It is clear that resilience has become a watchword for many logistics businesses. Stephen Basey-Fisher said: “In our sector, resilience is all about making contingency plans. It is always a combination of factors, from productivity to how agile they are, to IT to everything else. Some of us have been around a long time and seen how it goes and we always must have a bit of caution there, but there will always be ambitious businesses that will over stretch themselves. In a crisis, they’ll find themselves caught out.”

The need for duty of care

Another area where significant adaptations have taken place is recruitment. The reduced availability of drivers and other logistics staff from the EU means competition for workers has increased. Stephen Basey-Fisher said: “There is no question that vacancies have become harder to fill. We can’t just conjure workers up, so we’re having to take them from other businesses. For the first time, we are really competing in our own sector when it comes to recruiting.”

Flexible working will be a priority for employers and staff

Nick Newman, Employment lawyer in Weightmans’ Transport and logistics team, notes that many operators are reporting struggles with staff retention and recruitment. “The environment is challenging. Clients are telling us that they are feeling compelled to offer pay rises, even multiple pay rises, to assist in staff retention in a landscape where drivers perhaps more than ever have a greater share of the bargaining power and may be able to obtain new and better paid employment with a competitor. This increases the risk of Industrial Action and the possibility of more disputes. Employers must be careful not to inadvertently create ongoing contractual obligations to upwardly review pay and/or offer further bonuses and will need to carefully consider the terms of any communication when dealing with these issues.



“Employers are looking at other ways to redress the balance beyond pay rises, such as recruitment and retention bonuses and flexible working patterns. Looking forward, we will see a greater emphasis on flexibility being built into the contractual relationship between employer and employee, with clauses giving employers a contractual right to move employees between duties when historically this has sometimes been difficult to achieve. Employers should review their contracts now and consider how they might implement changes, particularly those with a unionised workforce where greater consultation will be required. Changes should not be unilaterally imposed and dialogue between employers, the workforce and if relevant the trade union will be critical in achieving a mutually agreeable outcome.”

Looking to the future

We asked our respondents to share their predictions for the future, and what challenges are likely to be coming down the line.

According to a senior employee at Eddie Stobart Logistics, there are further Brexit-related disruptions in the pipeline. They said: “The NI protocol still needs to be resolved, and there is significant potential for further challenges as a result of whatever long-term solution is put in place. And, more immediately, further controls for imports to the UK come into effect from January 2022, so the period of adjustment will continue for some time to come.

Brexit isn't done yet

Jacqui Bickerton, Principal associate at Weightmans gives further clarification regarding continued Brexit related challenges in 2022. “Further disruption to the supply chain should be expected as a result of the changes introduced on 1 January 2022 requiring UK businesses importing from the EU to make customs declarations immediately and pay the required tariffs. The Institute of Export and International Trade reported a 397% increase in enquiries to their helpline during the first week of January 2022 focusing on not only the lack of staff to complete the customs declarations, but also the time required for compliance. Further disruption is anticipated as the EU's entry/exit system will also be implemented during 2022 to replace the traditional stamping of passports with biometric checks. These checks will require non-EU drivers entering the EU to physically exit their vehicles at the border to have their fingerprints and photographs taken. This will impact the time taken to pass through the EU border and thereby delay, even further, goods reaching the EU from the UK.”



There are also concerns about the potential for the economy to slip back into recession in the years ahead. Stephen Basey-Fisher said: “Driving for increased productivity to offset increasing costs is going to be a crucial challenge in the years ahead, especially if inflation continues to rise and the economy slows down as a result.

“Automation looks like a potential answer to this, but there’s a long way to go. That’s because it requires the right software to be in place first, so that’s the area the industry needs to be focusing on. Implementing the digital systems that will eventually support more automated ways of working.”

Looking further ahead, some respondents pointed out that the fight against climate change and re-organising in order to minimise environmental impacts might emerge as the single biggest challenge for the supply chain. Stephen Carr said: “Looking forward, the resilient supply chain piece will be all about zero carbon and environmental challenges. It could be that the events of 2020-21 are ultimately seen as a significant but relatively short-term interrupter.”

A more sustainable supply chain: where to start?

Simon Colvin, National Head of Energy and Utilities at Weightmans, said: “For many businesses, the challenge is how to meet increasing demand, while doing so in the most sustainable and least carbon intensive way, that is both in terms of a business’ own operations and also in terms of their supply chain.

“A sustainable supply chain is of course much wider than just carbon, it relates to the circular economy, the workforce and many other areas. Businesses need to scope out what they mean by ‘sustainability’ and then focus on the key areas.

“Many businesses fail to deliver because they are too ambitious and try to do too much. Using a framework such as the UN sustainable developments goals (SDGs) can be a good starting point.

“The very simple message here is about understanding what you do and what the impact is, then implementing a plan to reduce and minimise your impacts. Businesses need to do the same with their supply chains, they have to engage with their suppliers to understand the impact of their operations and then support them to reduce and minimise their impacts too.”

Meet our team of legal experts



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Conclusion

A clear message from the senior executives interviewed for this report is that the ‘just in time’ logistics model relied on pre-pandemic is not fit to create true supply chain resilience. As companies learn lessons from the last 24 months, clear actions include:

Build stronger relationships with key suppliers and diversify where necessary – communication is key

Supply chain relationships are changing, and duty of care should be a paramount consideration to ensure that suppliers can deliver goods and services. Companies should also consider multi-sourcing to futureproof against disruptions.

Evaluate your impact and make concrete steps for a more sustainable future

Planning for a more sustainable future can seem like a daunting task. By evaluating your company's current impact and using a standardised framework to measure progress, you can quickly make achievable gains.

Review contracts to build in flexibility and minimum stock levels

Supplier contracts should be reviewed to ensure that there are supply chain risk-management and business-continuity provisions, as well as minimum stock levels held.

Plan warehousing to hold more stock, become more environmentally friendly and adapt for future modes of delivery

Actions include putting systems in place to provide visibility across the extended supply network and implementing well considered inventory to buffer against supply chain disruption.

Scope out alternative transport methods to build resilience and reduce carbon emissions

Looking to the future, there are opportunities to analyse and negotiate transportation costs, as well as incorporating different transport methods into contingency plans. A clear action plan to reduce carbon emissions should also be front of mind, with new delivery networks and modes of transport key to achieving this.

Remodel training and incentives packages to compete effectively for staff

Employers should review employee contracts now and consider how they might build greater flexibility into them, for the benefit of both parties.

Invest in technology to seize competitive advantage, boost margins, communicate with stakeholders and improve resilience

Some of the tech that was once solely the domain of blue-chip corporations is now more readily affordable, with automation, AI and big data a key priority. When implementing technologies, you should consider the potential for cyber-attacks and ensure that data gathering conforms to data protection laws.

Incorporate Brexit as a continuing import and export administrative burden

Company boards, compliance teams and Brexit taskforces have been hard at work adapting to new rules and requirements. This work is not done and dusted, with customs documentation becoming more complex as we move into 2022.

Though mass adoption paused in the pandemic, smart contracts are coming...

A key takeaway from our ground-breaking report in 2019 was that smart contracts would be incorporated into company supply chain relationships. The pandemic placed this on hold for many, though we predict that they will become more widespread, helping you reduce risks and navigate complex supply chain networks.

Though the organisations interviewed have faced intense change in the last 24 months, there is much cause for optimism. The appetite for products and services remains, while companies are making the changes to become fit for the future. A more collaborative approach is also appearing, with companies engaging with suppliers and providing greater flexibility for staff, while the environmental effect of operations is becoming centre stage.

We hope you agree that this report has made for interesting reading, please don't hesitate to get in touch should you wish to discuss anything raised in the report in detail with myself or another member of the team.

Matt Williamson,
Partner and National Head of Retail, Weightmans

Methodology

This report is based on a survey and in-depth interviews conducted by Weightmans' partners with 12 senior executives from the manufacturing, retail & leisure and transport & logistics sectors.



About Weightmans

190 **1300**
partners employees

Lexcel
accredited
UK law firm

1/3

Act for 1/3
of FTSE 100
companies



Bi-annual external audits to main certificate status for this international standard

ESG collaboration



9.14

Overall customer
satisfaction against legal
industry average of 8.3



We have scooped
numerous
accreditations,
including **top employer**
for the fifteenth year
running



Award success

Winners of
Best Use of
Technology
2019



£17,000

raised for local office charities
during 2020-2021

8 UK locations

Birmingham • Glasgow
Leeds • Leicester
Liverpool • London
Manchester • Newcastle



We can provide global coverage as co-founders of Insurance Law Global and established members of Legal Link



Early adopters of **Cyber Essentials Plus** certificate – highest award provided by the UK Government



Revenue
c£100m



6 core segments

- Built environment
- Corporates
- Individuals
- Insurance
- Owner-managed businesses
- Public bodies

127 specialism rankings and
380 individual rankings in Chambers and Legal 500





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