



# BUSINESSES ON BREXIT

Impact unclear, many entrepreneurs not prepared

**KVK**

# 1. INTRODUCTION

## 1.1 Reason for the survey

On 23 June 2016, the United Kingdom held a referendum on membership of the European Union. A majority of British voters chose to leave the European Union, referred to as 'Brexit'. On 29 March 2019, the United Kingdom will leave the European Union, a date that is fast approaching.

Once the United Kingdom has officially left the European Union, this could have major consequences for Dutch companies that do business with the United Kingdom. This will depend on the form that the final trade relationship with the European Union will take. This is currently being negotiated. After Germany, the United Kingdom is the Netherlands' second largest trading partner and approximately 77,000 Dutch companies do business with the United Kingdom.<sup>1</sup>

As Brexit can have a major impact on the Dutch economy, the Netherlands Chamber of Commerce (KVK) has asked members of the business community about their expectations, concerns and preparations regarding Brexit. The results and insights will be used for the services of the Chamber of Commerce and the government service providers that are part of the Brexit information desk ([Brexitloket](#)). Using the information desk, businesses can carry out a Brexit impact assessment to see the potential impact of Brexit on their business and how they can prepare themselves.

<sup>1</sup> *Impact of non-tariff barriers as a result of Brexit, KPMG (2018).*

## 1.2 Description of the survey

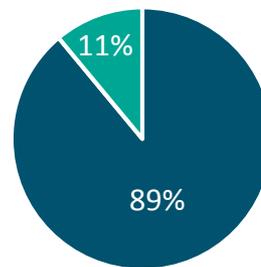
The survey was carried out in the KVK Entrepreneurs Panel (*KVK Ondernemerspanel*), which consists of more than 4,000 self-employed entrepreneurs and SMEs. On 16 May 2018, 993 internationally active entrepreneurs from the panel were invited to fill in the questionnaire. Several reminders were sent to those who had not yet completed the questionnaire (either fully or partially). A total of 163 people from the KVK Entrepreneurs Panel completed the questionnaire. Besides the dissemination in the KVK Entrepreneurs Panel, the questionnaire was also distributed via LinkedIn and the newsletter of Evofenedex. This resulted in 64 additional respondents. A total of 227 respondents therefore completed the questionnaire.

75% of the respondents in this survey are SMEs and therefore employ personnel. 25% are self-employed entrepreneurs and have no staff. Of the respondents who participated in this survey, 89% do business with the United Kingdom and 11% are considering doing business with the United Kingdom. This group was not asked all questions.

The respondents are mainly active in the following sectors:

1. Wholesale and retail trade (26%)
2. Industry (16%)
3. Business services (15%)
4. IT and media (9%)
5. Agriculture and horticulture (8%)

Statements can be made about the population (i.e. all entrepreneurs doing business with the United Kingdom) with a 95% confidence level and an error rate of 7%. This means that 95% of all entrepreneurs that do business with the United Kingdom would answer within a margin of error of 7% (for example between 18% and 32% for a result of 25%). The data has not been re-weighted – no ideal figures are known for companies doing business with the United Kingdom or those considering doing so.



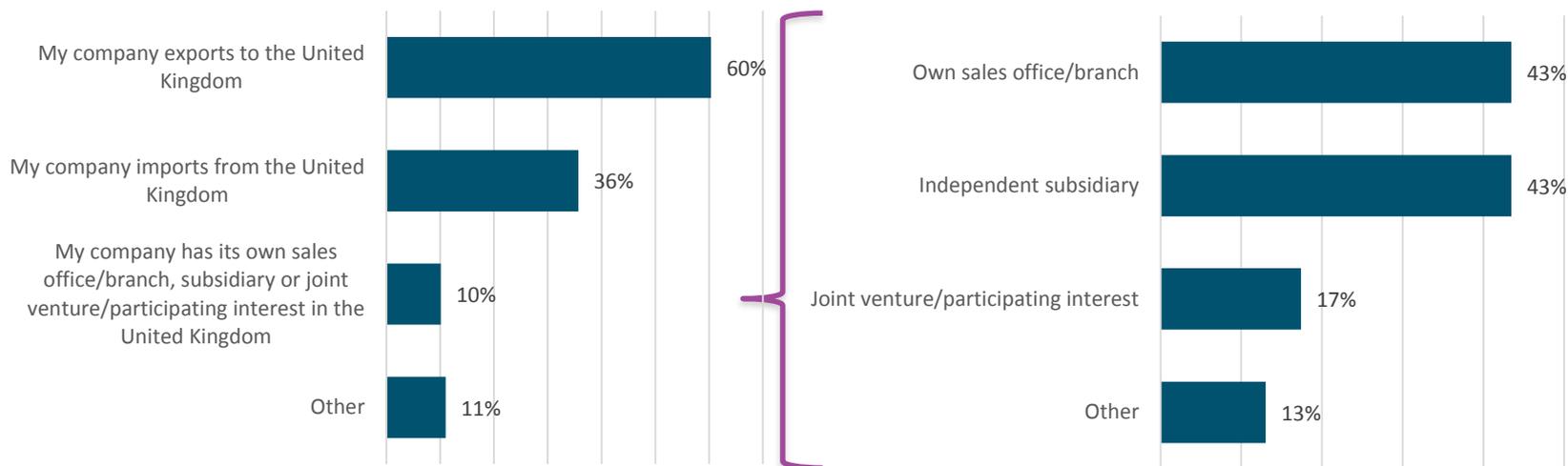
- Yes, my company does business with the United Kingdom
- Yes, my company considers doing business with the United Kingdom

## 2. RESULTS

## 2.1 DOING BUSINESS WITH THE UNITED KINGDOM

## 2.1.1 Import, export or investment

Of the entrepreneurs that do business with the United Kingdom, 60% are exporting to the United Kingdom. 36% import from the United Kingdom and 10% have a sales office, subsidiary or joint venture there. 11% stated 'other'; these are mainly companies offering services in the United Kingdom. Of the 23 respondents investing in the United Kingdom, almost half of them are doing so with their own sales offices or independent subsidiaries. Joint ventures are less common (17%). Only SMEs invest in the United Kingdom; self-employed entrepreneurs are only engaged in import or export.



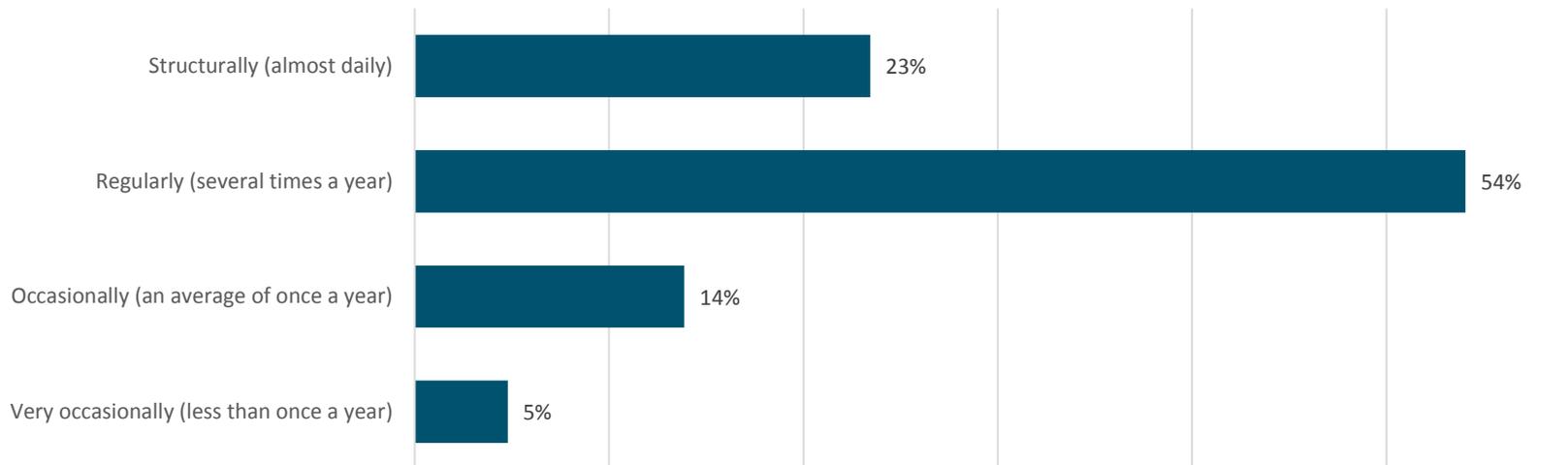
How have you done business with the United Kingdom over the last two years? You may give more than one answer.

How do you invest in the United Kingdom? You may give more than one answer.

Basis: all respondents doing or considering doing business with the United Kingdom (n=227), all respondents investing in the United Kingdom (n=23)

## 2.1.2. Frequency

Just over half of all entrepreneurs who do business with the United Kingdom do so regularly and therefore several times a year. Almost a quarter does so structurally and therefore on an almost daily basis. 14% do so occasionally and 5% very occasionally. So most of the entrepreneurs doing business in the United Kingdom do so at least several times a year.

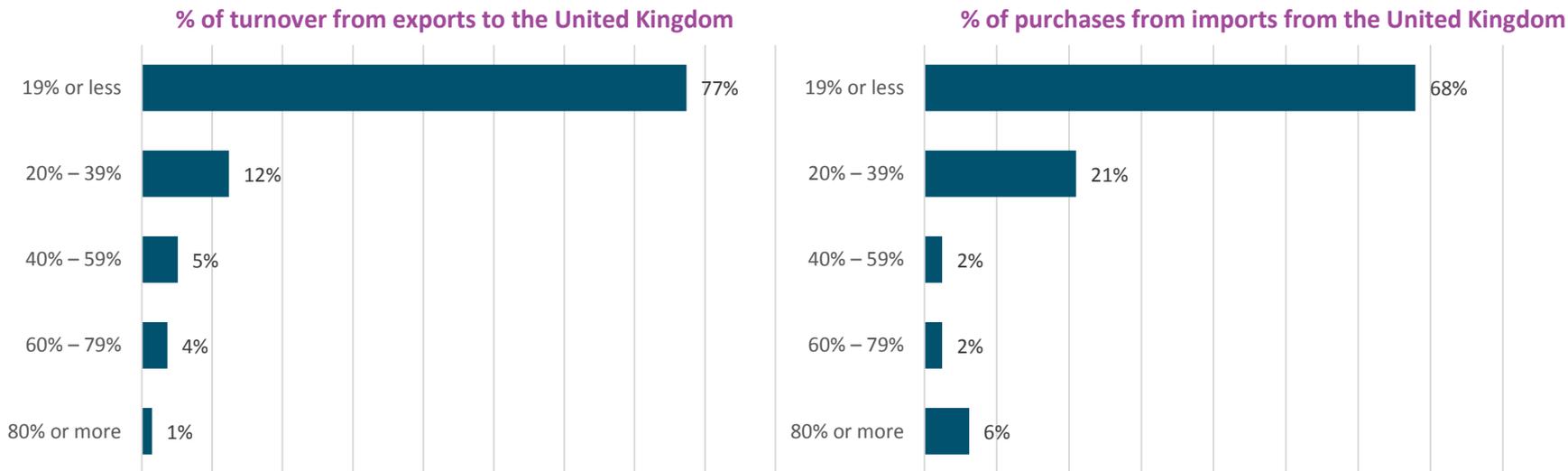


*How often does your company conduct business transactions with companies from the United Kingdom?*

*Basis: all respondents doing or considering doing business with the United Kingdom (n=227)*

## 2.1.3 Percentage of turnover

Three quarters (77%) of the businesses exporting to the United Kingdom derive 19% or less of their turnover from exports to the United Kingdom. For 12%, this is between 20% and 39%, and 10% derive more than 40% of their turnover from exports to the United Kingdom. 68% of the respondents who import get 19% or less of their purchases from imports from the United Kingdom. 21% derive 20% to 39% of their purchases from imports and here too 10% derives more than 40% of their purchases from imports from the United Kingdom.



*What is the percentage of your turnover derived from exports to the United Kingdom? Please make the best possible estimate.*

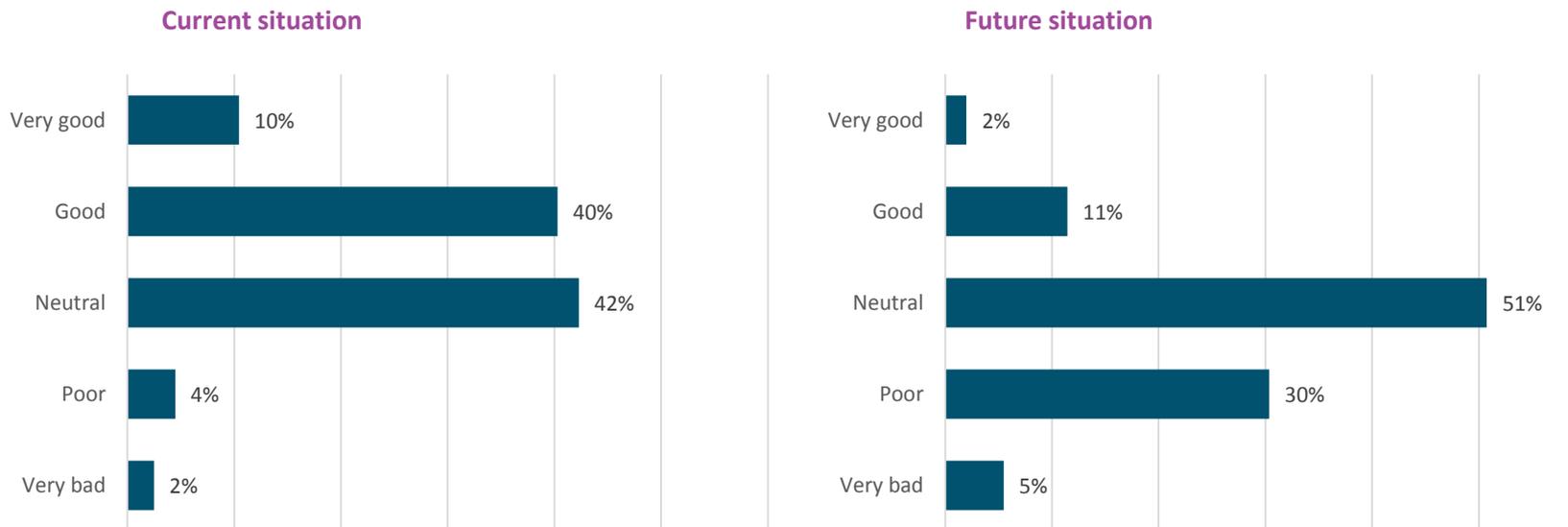
*What is the percentage of your total purchases that you spend on imports from the United Kingdom? Please make the best possible estimate.*

*Basis: all respondents exporting to the United Kingdom (n=137), all businesses importing from the United Kingdom (n=81)*

## 2.1 CONSEQUENCES OF BREXIT

## 2.2.1 General situation

Businesses rate the current business situation in the United Kingdom as predominantly neutral (42%) and good or very good (50%). Only 6% see the current situation as bad or very bad. Looking to the future, 35% indicate that they rate the situation as bad or very bad as a result of Brexit. 51% is neutral in this respect and only 13% rate the outlook as good or very good.



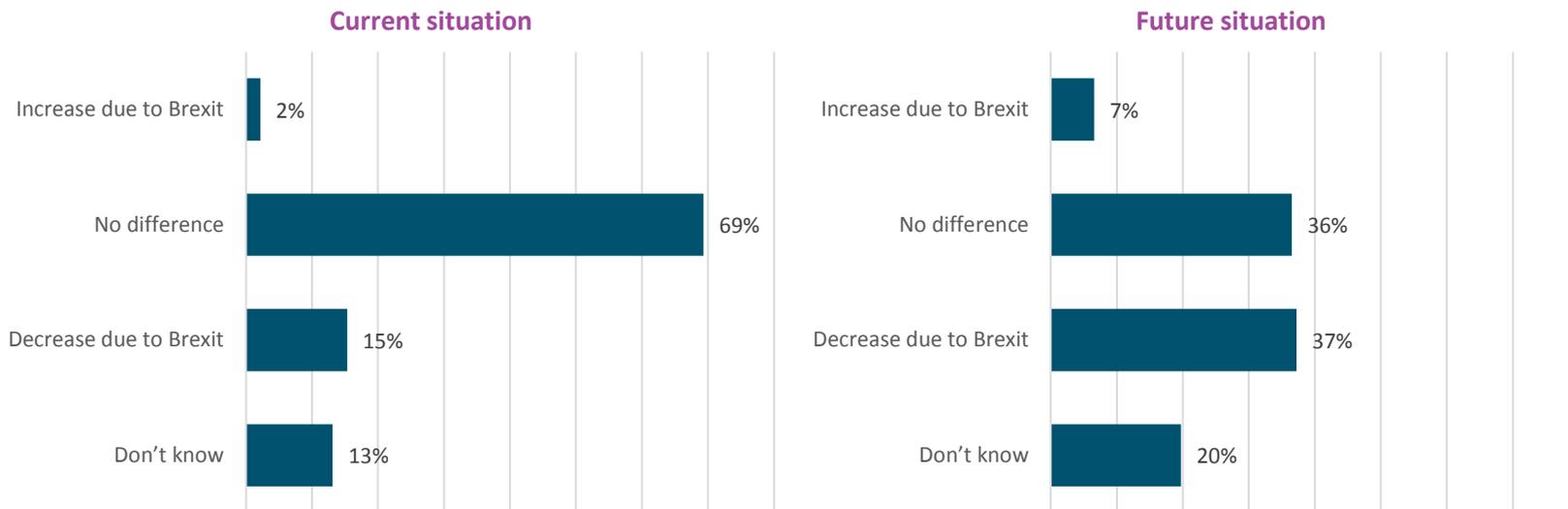
*In general, how do you rate the current situation regarding doing business in the United Kingdom for your company?*

*In general, how do you rate your own business prospects in the United Kingdom as a result of Brexit?*

*Basis: all businesses doing business with the United Kingdom (n=201)*

## 2.2.2 Impact of export on turnover

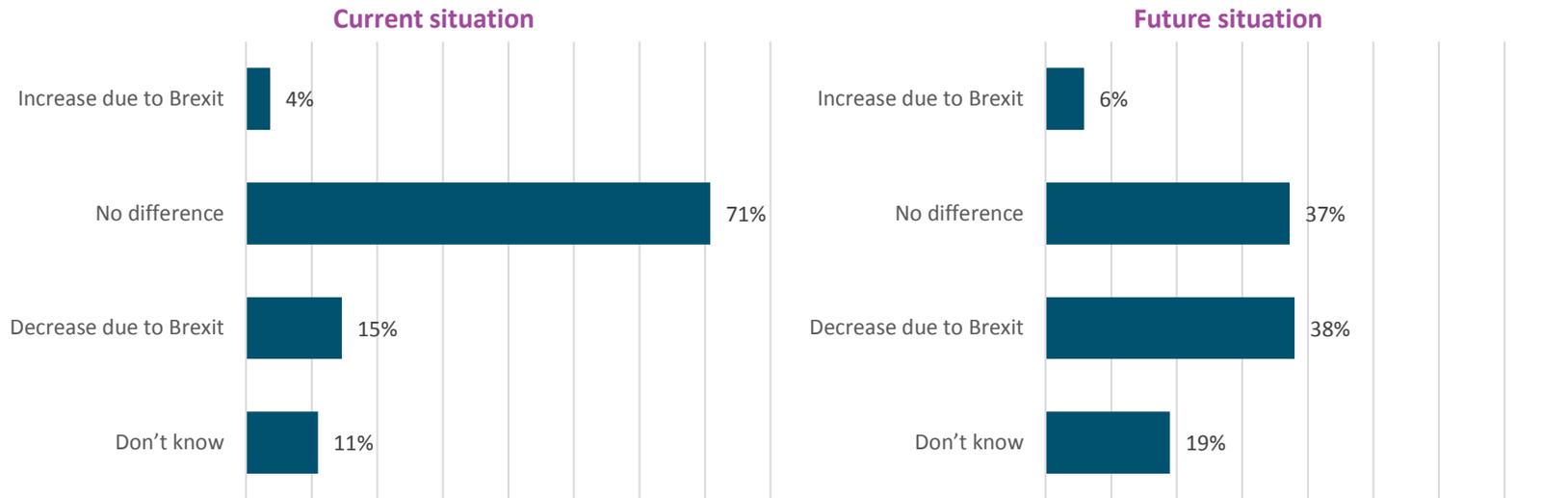
The majority of businesses exporting to the United Kingdom indicate that in the current situation they do not yet see any difference in export turnover due to Brexit (69%). 15% have experienced a decrease as a result of Brexit. Looking to the future, 37% expect a decrease in export turnover due to Brexit. 36% do not expect any difference and 20% do not know. 7% have experienced an increase in export turnover due to Brexit.



*What is the impact so far of Brexit developments on export turnover from the United Kingdom?  
What are your future expectations for export sales to the United Kingdom as a result of Brexit?  
Basis: all businesses exporting to the United Kingdom (n=137)*

## 2.2.3 Impact on sales orders

71% of businesses exporting to the United Kingdom experienced no difference in the number of sales orders due to Brexit. 15% are currently experiencing a decrease. In the future, 38% expect a decrease in the number of sales orders and 37% expect no difference due to Brexit.



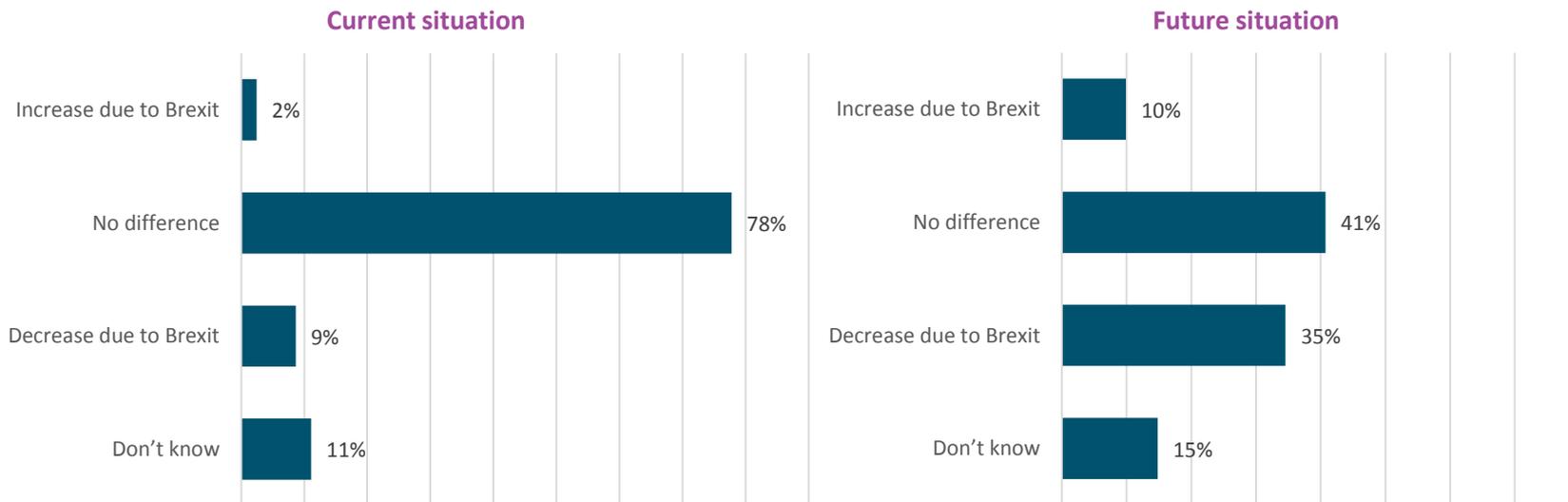
*What has been the impact so far of Brexit developments on the volume of sales orders to the United Kingdom?*

*What are your future expectations for the volume of sales orders to the United Kingdom due to Brexit?*

*Basis: all businesses exporting to the United Kingdom (n=137)*

## 2.3.4 Impact on value of imports

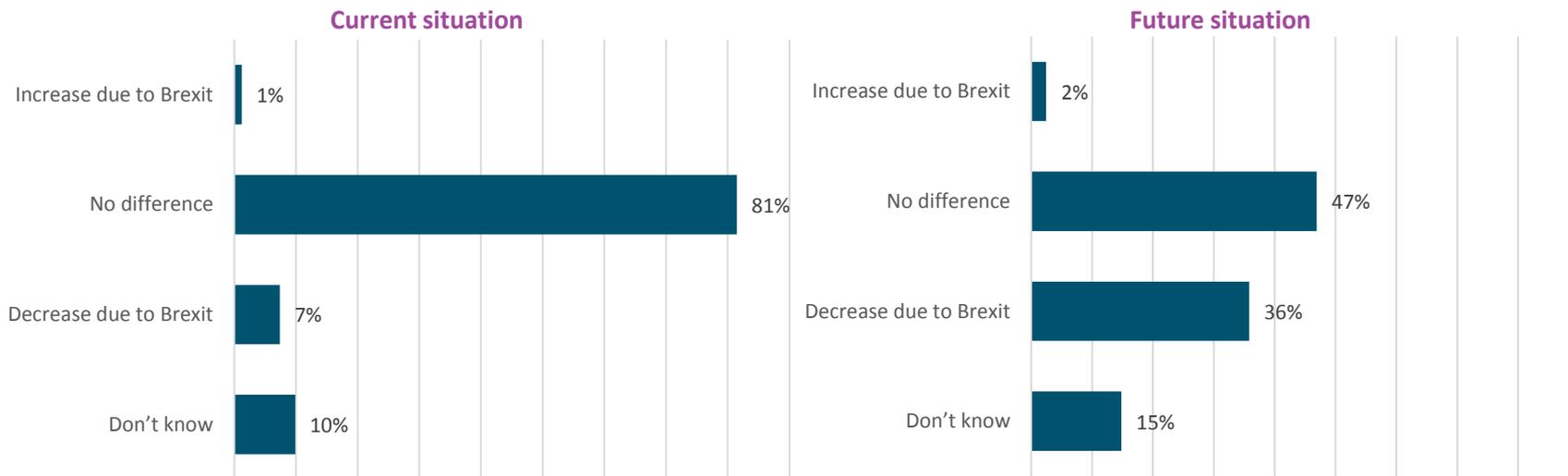
78% of the businesses importing from the United Kingdom are not experiencing any difference in the value of imports as a result of Brexit. 9% are experiencing a decrease. Looking to the future, 35% expect a decrease in the value of imports and 41% expect no difference. 15% do not know what to expect.



*What is the impact so far of Brexit developments on the United Kingdom's value of imports?  
What are your future expectations regarding the value of imports from the United Kingdom due to Brexit?  
Basis: all businesses importing from the United Kingdom (n=81)*

## 2.2.5 Impact on purchase orders

Of the respondents importing from the United Kingdom, 81% experienced no difference in purchase orders due to Brexit. 7% are experiencing a decrease. 36% of businesses expect that there will be a decrease in purchase orders as a result of Brexit. 47% expect the number of purchase orders to remain the same and 15% do not know what they expect.

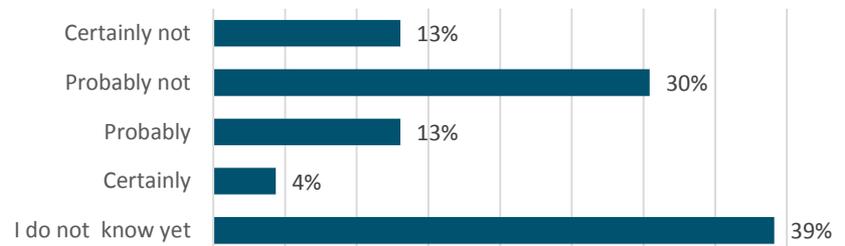


*What has been the impact of Brexit developments so far on the volume of purchase orders from the United Kingdom?  
What are your future expectations for the volume of purchase orders from the United Kingdom due to Brexit?  
Basis: all businesses importing from the United Kingdom (n=81)*

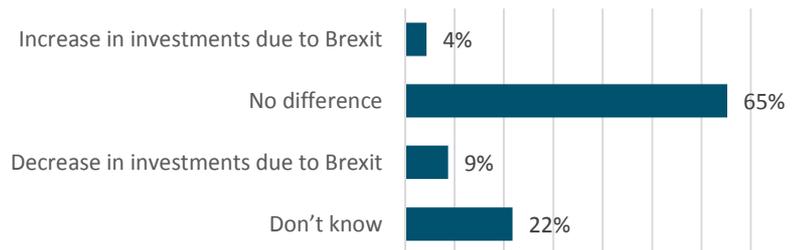
## 2.2.6 Impact on investments

Of the 23 respondents who invest abroad, for example through a sales office, subsidiary or joint venture, 65% are not experiencing any impact of Brexit on investments in the United Kingdom at this moment. 9% have experienced a decrease in investment as a result of Brexit. Looking to the future, 30% expect a decrease in investments due to Brexit and 30% expect no difference. 13% expect an increase in investments due to Brexit. Slightly less than half of these businesses do certainly not, or do probably not, expect to shift investments abroad. A small proportion (17%) do expect to shift investments to other markets as a result of Brexit and 39% do not yet know.

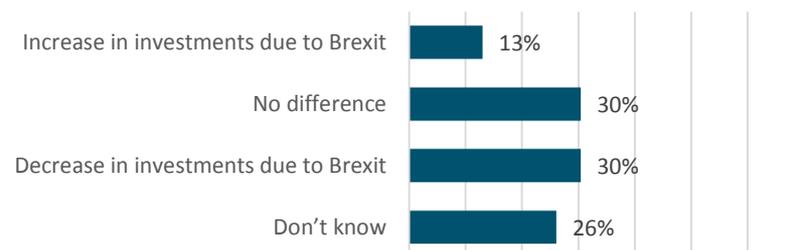
### Shifting investments



### Current situation



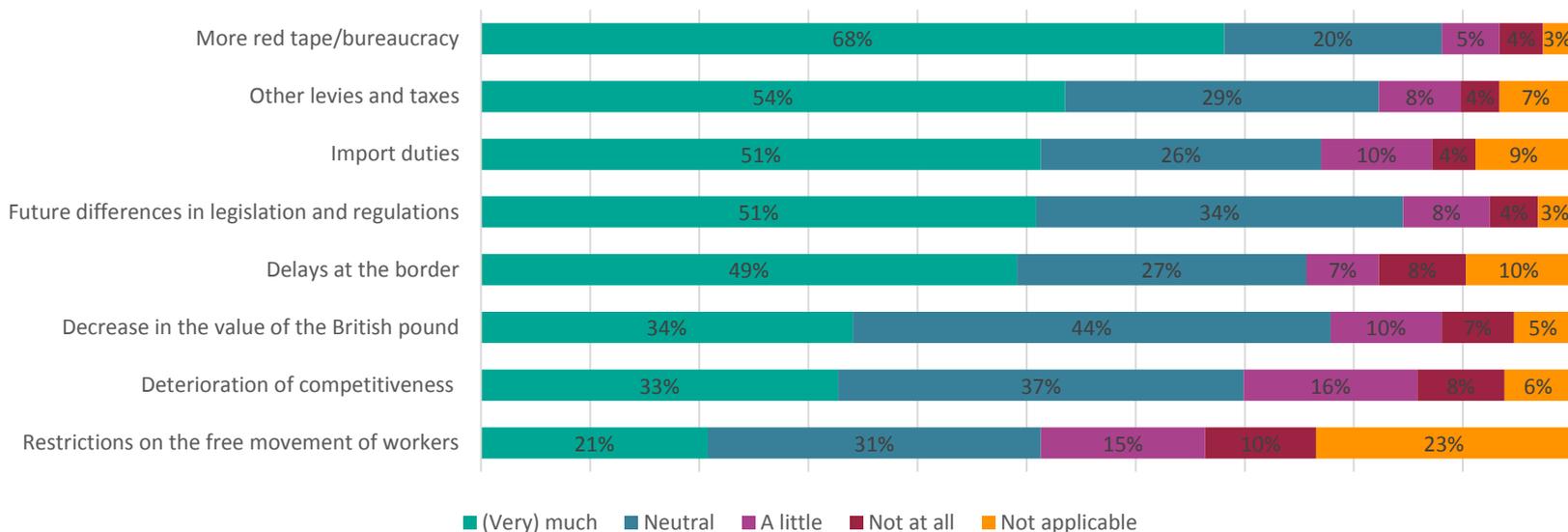
### Future situation



What has been the impact of Brexit developments so far on investment in the United Kingdom?  
What are your future expectations regarding your investments in the United Kingdom as a result of Brexit?  
Are you planning to shift your investments in the United Kingdom to other markets because of Brexit?  
Basis: all businesses investing in the United Kingdom (n=23)

## 2.2.7 Concerns after Brexit

Two-thirds of entrepreneurs that do business with the United Kingdom are concerned about increased red tape, other levies and taxes, import duties and future differences in laws and regulations after Brexit. More red tape scores the highest, possibly because this applies to investments, imports and exports for both products and services. 49% are concerned about delays at the border and 34% about a fall in the value of the British pound. 32% expect the competitive position to deteriorate. Only 21% are concerned about restrictions on the free movement of workers. This does not apply to a large proportion of the businesses (23%).



To what extent do you have concerns about the following issues in relation to doing business in the United Kingdom after Brexit, i.e. after the transitional period?

Basis: all respondents doing or considering doing business with the United Kingdom (n=227)

## 2.2.8 Concerns after Brexit

Businesses were asked if they had any other concerns about doing business in the United Kingdom after Brexit. Very diverse answers were given by 45 respondents. Below are a number of quotes from answers that were given several times in a similar way.

*'Uncertainty and division within the United Kingdom'*

*'Developing new business is becoming harder.'*

*'Are the British still interested in services provided from the Netherlands?'*

*'Lack of customs facilities on both sides.'*

*'Inflation and competitiveness'*

*'Administrative restrictions'*

*'Chaos at customs on both sides'*

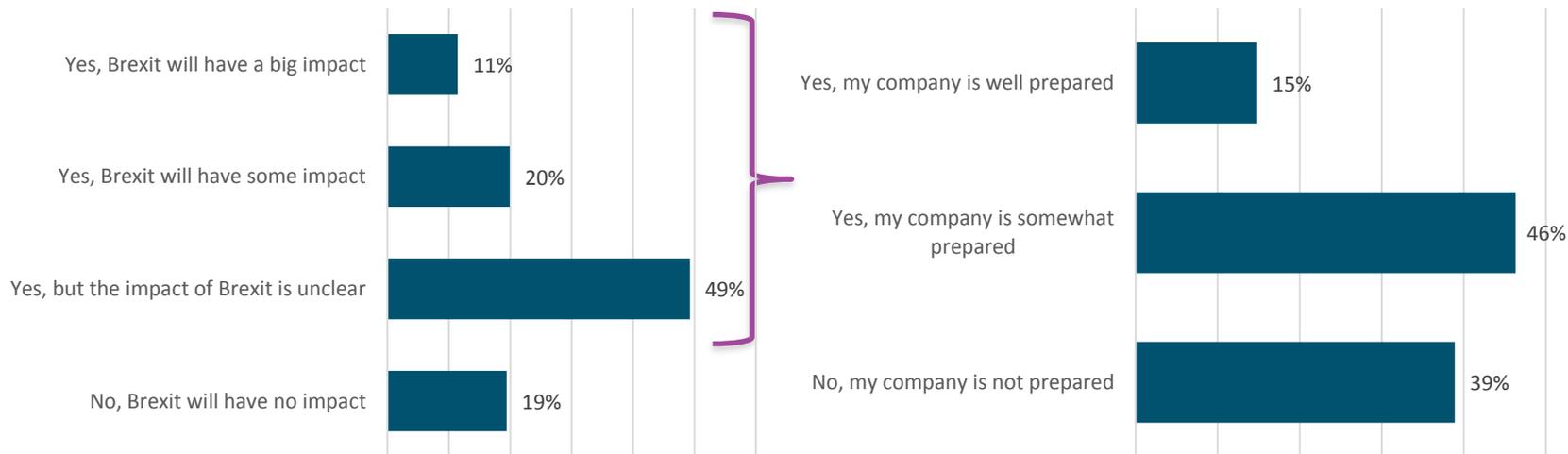
*'The English don't realise that there will be problems, it's one-way communication with my partner there.'*

*Do you have any other concerns about doing business in the United Kingdom after Brexit?  
Basis: all respondents doing or considering doing business with the United Kingdom (n=227)*

## 2.1 PREPARATION

## 2.3.1 Impact and preparation

About half of the respondents indicated that they have assessed the impact of Brexit, but that it is still unclear. Brexit will have a major impact for 11% and some impact for 20%. 19% indicates that Brexit has no impact on their business. The businesses that are affected by Brexit were asked to what extent they have prepared themselves. 15% say they are well prepared, 46% are somewhat prepared and 39% are not prepared at all. Those who indicated that Brexit will have a major or minor impact have prepared themselves well significantly more often. Those who indicated that the impact is unclear have often not prepared themselves.



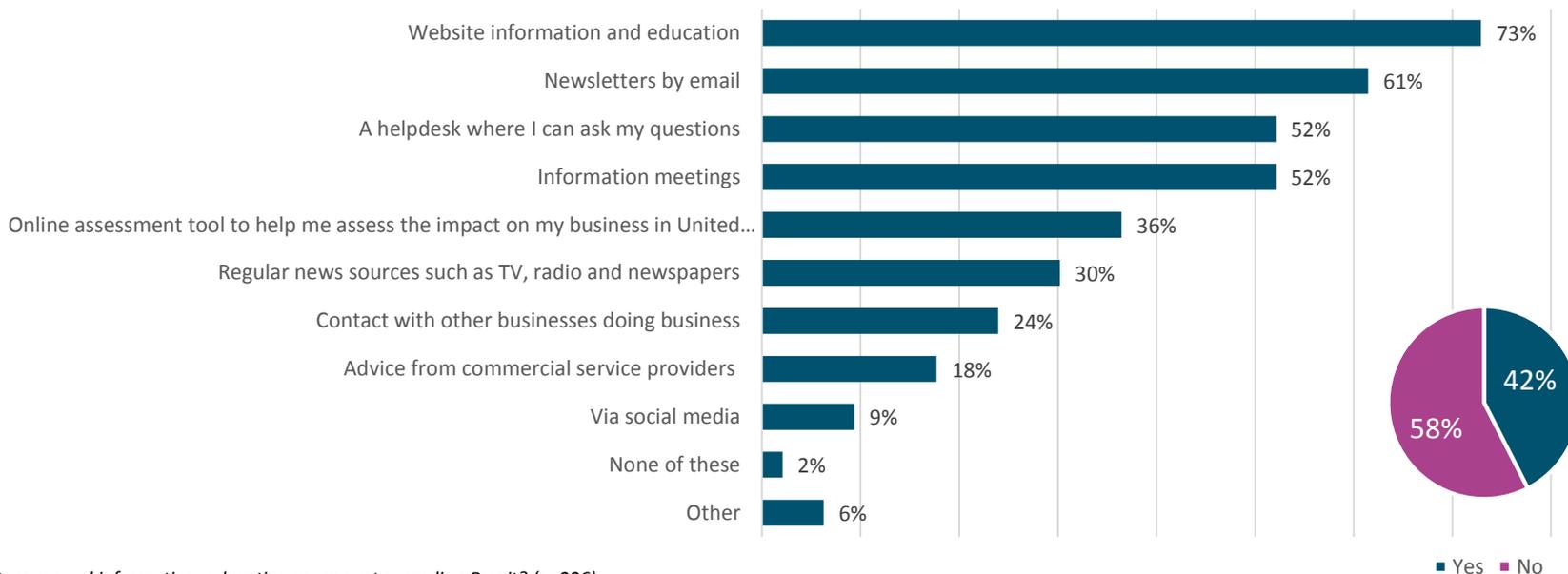
*Have you checked whether Brexit will have any consequences for your company?*

*Has your company prepared for the impact of Brexit?*

*Basis: all respondents doing business in the United Kingdom (n=201), all respondents indicating that Brexit will have an impact (n=162)*

## 2.3.2 The need for information

42% of the respondents indicated that they would like to receive information, education or support with regard to Brexit. This is more needed by self-employed workers than by SMEs. A number of options were presented to respondents who do need support. Almost three quarters of all these businesses need information and education on a website and 61% would like to be kept informed via newsletters. Just over half of them would like a helpdesk where questions can be asked or information meetings. 36% would be helped with an online assessment tool that maps the consequences.



Do you need information, education or support regarding Brexit? (n=226)

Via which of the following options would you prefer to be informed about Brexit? You may give more than one answer.

Basis: all businesses who need information, education or support with regard to Brexit (n=96)

## 3. CONCLUSION

## 2.3 Conclusion

### Negative business prospects

There is a big difference between how people view doing business with the United Kingdom in the current situation and future expectations. Businesses rate the current situation with regard to doing business in the United Kingdom as predominantly good and only 6% as bad or very bad. Looking to the future, this image changes. 35% of businesses rate consider their own business prospects in the United Kingdom as bad or very bad.

Of those exporting, about 38% expect a decrease in export turnover and sales orders as a result of Brexit. 36% of these do not expect any difference due to Brexit. About 36% of those importing expect a decrease in the value of imports and purchase orders as a result of Brexit.

### Biggest Brexit worry: bureaucracy

The main concern people have with regard to the consequences of Brexit is more red tape and bureaucracy; 68% are (very) worried about this. Other issues that concern people are levies and taxes (54%), import duties (51%), future differences in laws and regulations (51%), and delays at the border (49%).

Many businesses expect that Brexit will have an impact on them; 11% expect a large impact, and 20% expect some impact. 49% expect Brexit to have an impact, but the extent of the impact is still unclear. 19% of the businesses do not expect Brexit to have an impact on their company.

### Many entrepreneurs are unprepared

Of those who indicated that Brexit will have an impact on them, 39% are not prepared. 49% is somewhat prepared and 15% is well prepared. Those who indicated that Brexit will have a major or minor impact have more often prepared themselves well. Those who indicated that the impact is unclear have often not prepared themselves at all.

### Information needs

42% of the respondents indicated that they would like to receive information regarding Brexit. A website with information and education and newsletters scored the highest (73% and 61%, respectively). In addition, about half of the businesses that need information prefer a helpdesk where they can ask questions or information meetings. 36% need an online assessment tool that can help them to assess the impact on their business.

## Notes on this publication:

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