



**PULSE SURVEY OF MICRO AND SMALL BUSINESSES  
IN NORTHERN IRELAND**

**DEALING WITH THE NEW TRADING ENVIRONMENT**

**NI PROTOCOL**

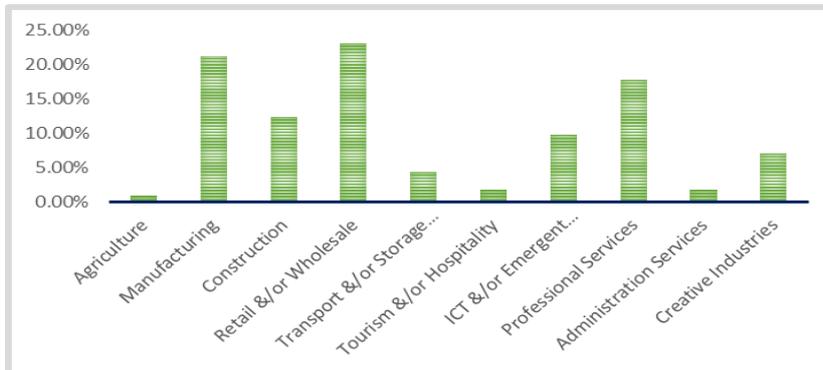
**FEBRUARY 2021**

# A survey, investigating how micro and small businesses are dealing with the new trading environment since 1<sup>st</sup> January 2021, under the EU-UK Trade and Cooperation Agreement and the Northern Ireland Protocol.

## Background

Since 1<sup>st</sup> January 2021 NI businesses have been operating, subject to new trading relationships between the UK and EU (The Trade and Cooperation Agreement) and within the UK between GB and Northern Ireland (The NI Protocol)

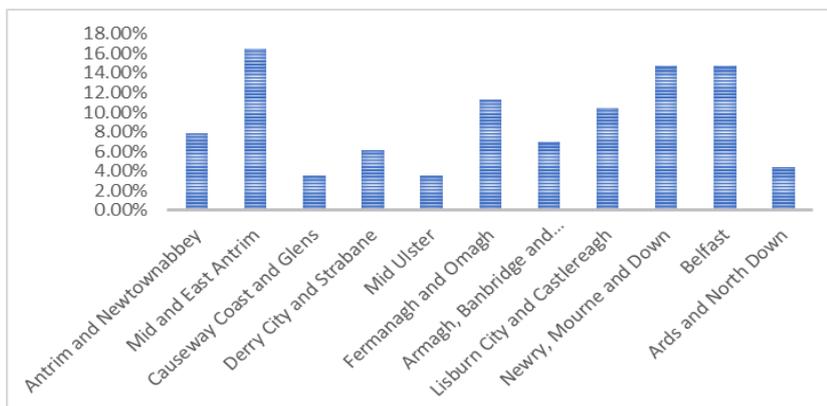
The NI Protocol establishes new trading arrangements for goods including new, additional customs SPS controls and checks for imports from GB. NI produced goods are to enjoy unfettered access to UK and EU single market.



Enterprise Northern Ireland engage with more than 4,000 businesses every week throughout Northern Ireland.

Enterprise NI surveyed micro and small business from all eleven council areas, across all key business sectors from 11 to 15<sup>th</sup> February 2021

about their experiences, what actions they have taken, and their future plans. The survey specifically targeted businesses who trade goods between GB and NI to focus more specifically on how businesses are dealing with the NI Protocol.



The survey had 133 verified respondents from all key sectors.

Enterprise NI will continue with these targeted pulse surveys throughout 2021.

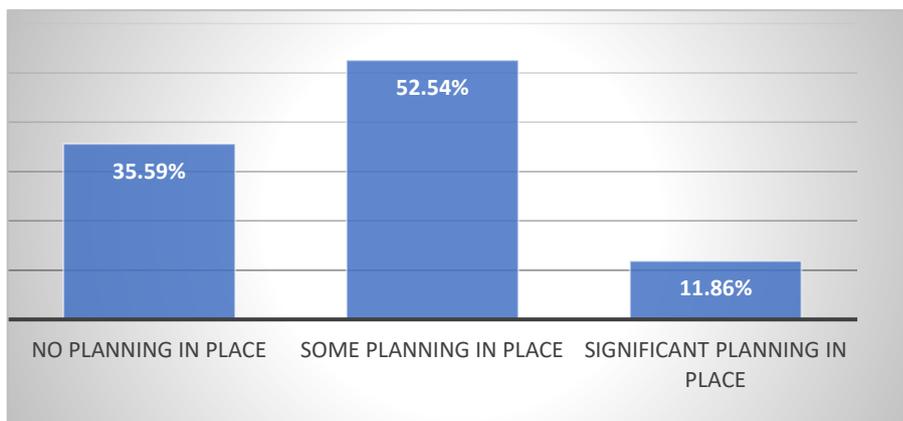
Rebuilding enterprise, local economic recovery, and navigating the new trading

environment will be key research areas.

### **Business Preparedness**

Businesses had limited time to prepare for or learn about and understand the new operational and regulatory elements of the NI Protocol. The Enterprise Barometer (late November 2020) indicated only 1 in 5 businesses had carried out any preparation. Enterprise Northern Ireland and other economic development and business representative organisations worked closely with businesses throughout December encouraging as much preparation as possible, albeit with a lack of clarity and detail on the complexity of agreements and processes that would be in place from 1<sup>st</sup> January.

Businesses were asked: **How do you feel your business was prepared for the new trading arrangements prior to 1st January 2021?**

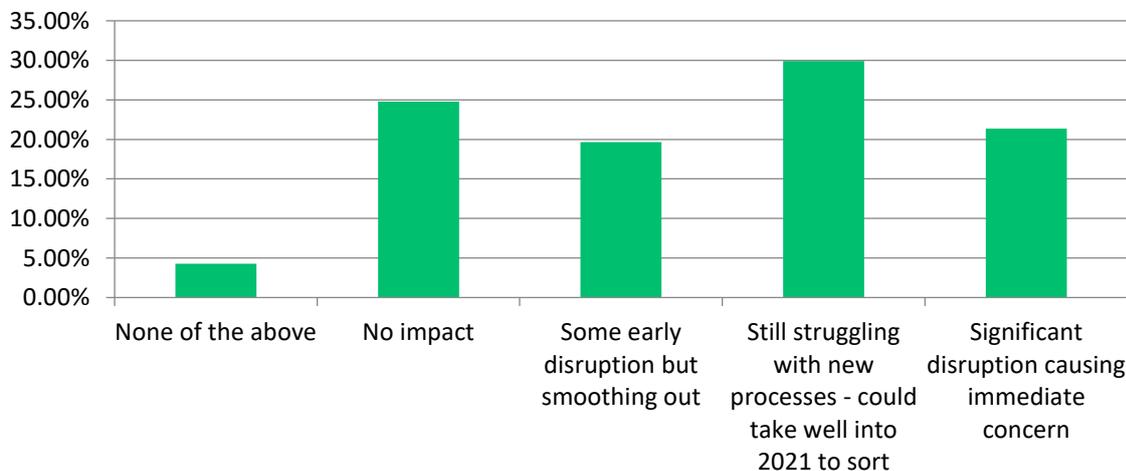


It is encouraging to see that more than 60% of NI micro and small businesses, prior to 1<sup>st</sup> January, had planning and/or preparation in place, to some degree.

The nature, however, of small business operations mean that many operate on a week-to-week basis dealing with challenges, new processes, and opportunities as they come about.

### **Early impact of the new trading environment**

The February pulse survey specifically targeted businesses who trade goods to/from GB to get a sense of the impact the NI Protocol. Businesses were asked: **How have the new processes, linked to the movement of goods to Northern Ireland from GB impacted your business?**



Due to the lack of time to prepare and the fact that details on how the NI Protocol would be implemented were only made available to businesses shortly before Christmas, disruption to and challenges for business operations in Northern Ireland were expected. There is no doubt the expected disruption has materialised. 21% of businesses have experienced significant disruption causing immediate concern for their business operations.

Resilience and ability of small and micro businesses to work through disruption and challenges is already emerging. 20% reported experiencing early disruption they are now working at smoothing and eliminating, with a further 30% indicating the disruption faced can be smoothed out but could take a significant part of 2021 to do so.

Whilst the new arrangements have only been in place for 40 days, many of the issues will only come to light as businesses operationalise the new processes and regulations. As Government continues to work hard to ensure the implementation of the Protocol, it is essential that as we progress the Northern Ireland Executive, the UK Government and the EU continue to work directly with businesses endeavouring to minimise disruptions. It is important they work to introduce permanent solutions that will eliminate the inefficiencies, complexities, high levels of administration and costs that early experience of the Protocol has evidenced.

### **Preparedness of GB Suppliers.**

Whilst the survey focuses on how Northern Ireland based businesses are dealing with the changes, some of the biggest challenges are around the preparedness of their GB based suppliers and/or these GB based suppliers' willingness to make the necessary adjustments or complete additional procedures. Businesses were asked: **Are GB based suppliers prepared to deal efficiently with the new processes and procedures?**

	<b>Response</b>
Suppliers not prepared and unaware of new processes and requirements	<b>36%</b>
Suppliers stopped/planning to stop delivery because of unwillingness to harness new processes and requirements	<b>31%</b>
Suppliers postponing trade with you until they find out more about processes and requirements	<b>25%</b>
Direct cost of goods has been increased by suppliers	<b>39%</b>
Negligible impact - trading with suppliers running smoothly	<b>19%</b>
We do not buy goods from GB suppliers	<b>14%</b>

Whilst 19% of businesses are experiencing a negligible impact, businesses as expected have experienced issues caused by their GB suppliers not being prepared and/or not being willing to implement and adhere to the NI Protocol changes.

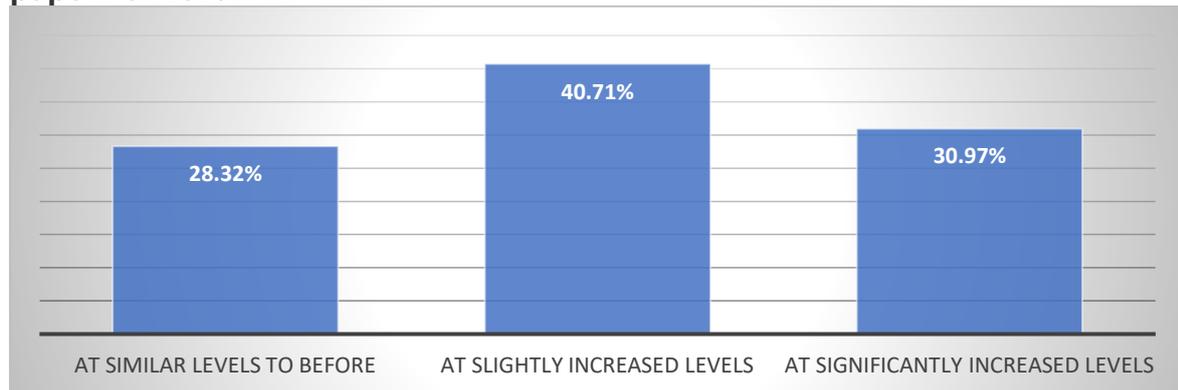
30% of GB suppliers are either unaware of the new processes or requirements or simply have not had the time to make the necessary changes. Many NI businesses are working with these suppliers to help inform and correct their procedures, so early indications is that over time these supply lines will get back to pre-protocol levels and smoothness of operation.

31% of GB suppliers have, however, stopped or are planning to stop delivering due to an unwillingness to harness new processes and requirements. Early concerns and media reports feared this figure might be higher but at 31% it is a significant choke in supply lines. NI businesses are having to rapidly find new suppliers. 25% of GB suppliers have postponed engagement and/or delayed deliveries until they find out more.

Businesses are reporting that the direct cost of goods has increased with 39% of GB suppliers. Northern Ireland businesses are having to absorb this increase in the short term, but given some more time, this could force them to search for and find new suppliers, locally, in Northern Ireland or from within the EU.

**Administration & Paperwork**

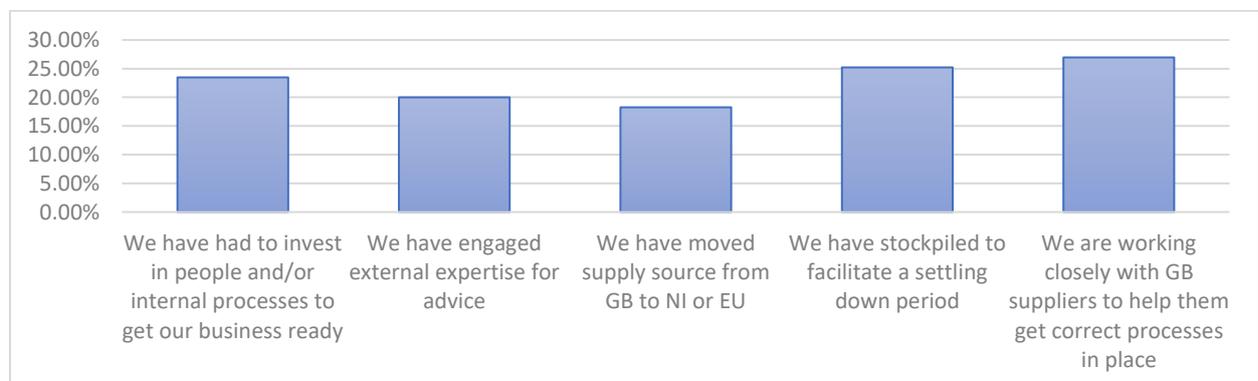
The widely reported fears that new processes would introduce cumbersome levels of administration and paperwork have seemingly been confirmed with significant levels of complex administrative procedures materialising. **The levels of administration and paperwork are:**



70% of businesses are experiencing increased levels of administration with 30% at a significant level. Micro and small business models are structured around slim margins. Additional administration levels with associated extra costs can completely distort or stifle commerciality in a micro/small business over a short period of time.

**Business Responsiveness.**

Micro and small businesses, by their nature, act in real time to deal with challenges and to exploit opportunities they face, in the operation of their business. The NI Protocol was introduced with little or no notice of procedures, processes, and regulations. This has meant, during the first 40 days, Northern Ireland businesses have already had to take strategic and operational actions to protect supply lines, protect their business and protect the livelihoods of their employees and themselves. **Businesses were asked: How have you reacted to new trading processes and requirements?**



23% of businesses have already invested in training and/or re-designing internal processes to adapt to Protocol requirements. This percentage is likely to grow and continue to be part of

business activity in the coming months as more businesses ‘learn as they go’ about new requirements and generally do what is reasonably required of them to save, maintain, and grow their business model.

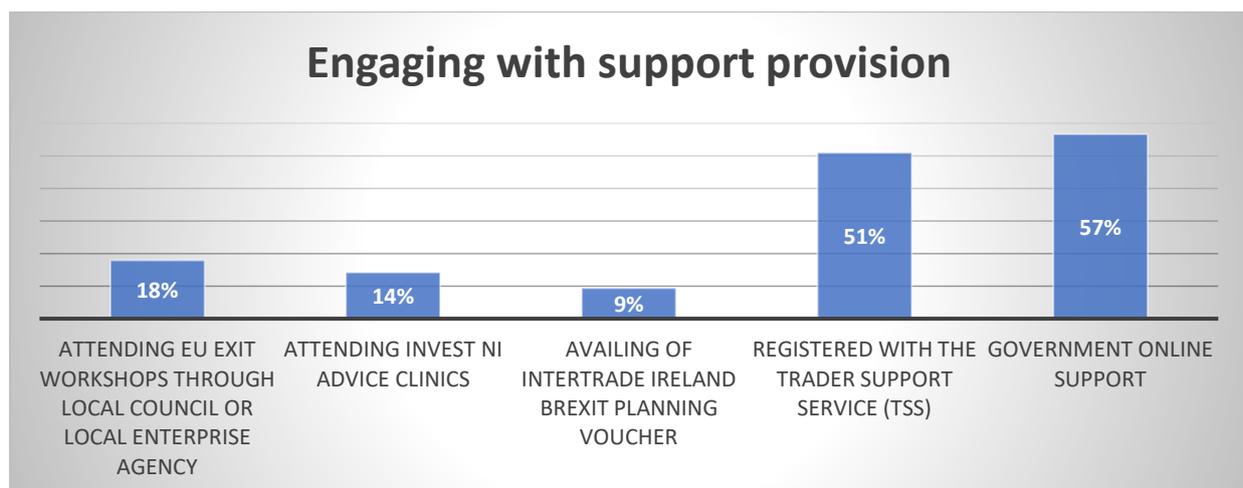
20% have engaged external expertise/advice. This is primarily on logistics, VAT, tariffs, parcels movement and SPS complexities but also includes investigating home-shoring supply lines and advice on developing new routes to the dual markets (the opportunities).

19% have moved their supply source from GB to NI or EU. Activity suggests a further 22% are investigating a supply base move from GB to NI or EU sources.

25% of businesses had stockpiled supplies to facilitate a settling down period and where there are challenges, many of this group are like the 26% of businesses who are working closely with their GB suppliers to help them get the correct processes in place.

### **Engaging with support provision.**

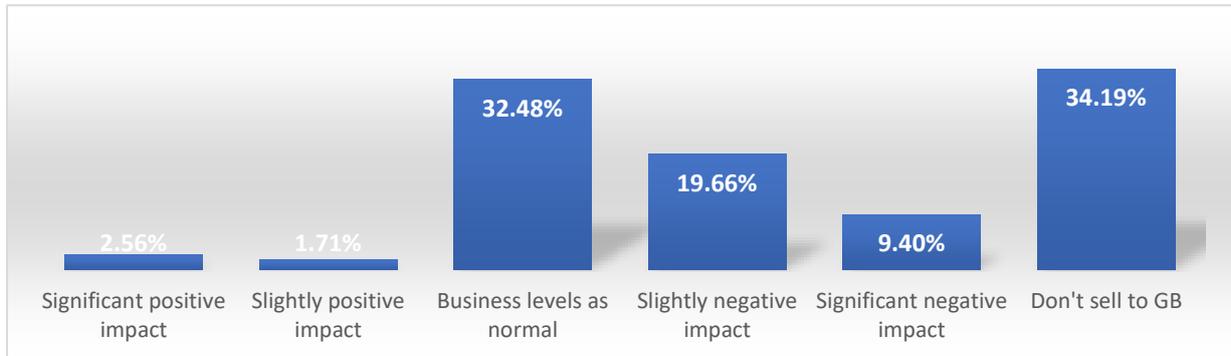
Businesses are availing of government and local enterprise support provision that has been put in place to help them navigate protocol related issues. Most micro and small business owners are time-poor and with pandemic related challenges also facing them, most businesses feel they do not have the time to attend workshops or go looking for advice. Whilst 57% use online government advice many find it confusing and difficult to navigate. Businesses were asked: **Have your preparations included any of the following?**



There is no doubt, businesses will continue to need timely accurate advice on what to do and how to deal with and adapt to protocol related issues. Businesses have indicated, through the Enterprise Barometer 2020 they prefer one-to-one (remote or in-person) trusted mentor support. Access to informed business advisors, throughout NI, who can provide short effective navigation sessions around new processes & procedures must be resourced and made immediately available and accessible to NI micro and small business leaders.

## Sales to GB.

Built into the new trading agreements is 'unfettered' access within the UK market for NI businesses. Businesses were asked: **Have your sales to GB been affected by the new trading arrangements?**



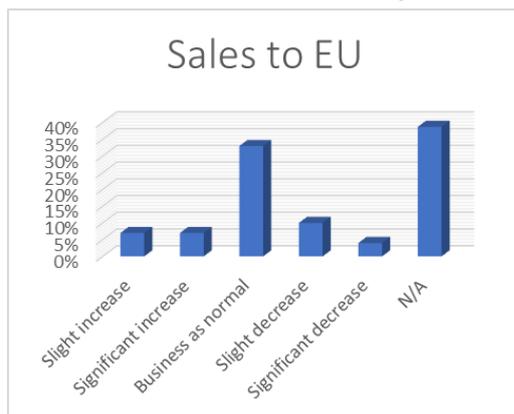
Whilst it is encouraging to see 36% of businesses reporting trade has stayed at similar or more positive levels, it seems that some NI businesses are suffering from an early wave of uncertainty and confusion throughout the UK businesses, around Northern Ireland's position under the protocol. The NI Executive and UK Government must provide clarity (communications) to UK businesses to reinforce their confidence in buying from NI suppliers.

## Trading with the EU

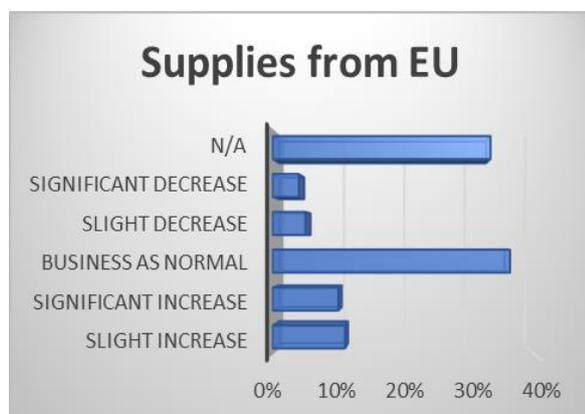
**Have the new trading arrangements impacted on your trading with the EU?**

Businesses were asked about sales to and supplies from the EU: Whilst the survey focused on the movement of goods between GB and NI it is interesting to note any early impact on trading between NI and EU.

NI businesses can still move goods freely within the EU single market, so it is not surprising to see the level of disruption in dealing with EU supply lines has not been at the same levels as with GB. There is however some disruption with the main



causes highlighted being EU suppliers and in some cases buyers, being confused and not differentiating between NI, GB and UK.



There is a need for UK Government and EU Commission to assist business organisations in the communication of Northern Ireland's unique trading position. There are also some early challenges around EU to NI supply lines that use distribution hubs in GB and/or use GB as a land-bridge for transit from EU mainland to NI.

## Challenges and Opportunities

Businesses were asked to outline main challenges and any opportunities they see because of their experience during the first 40 days of the new trading arrangements (NI Protocol Impact).

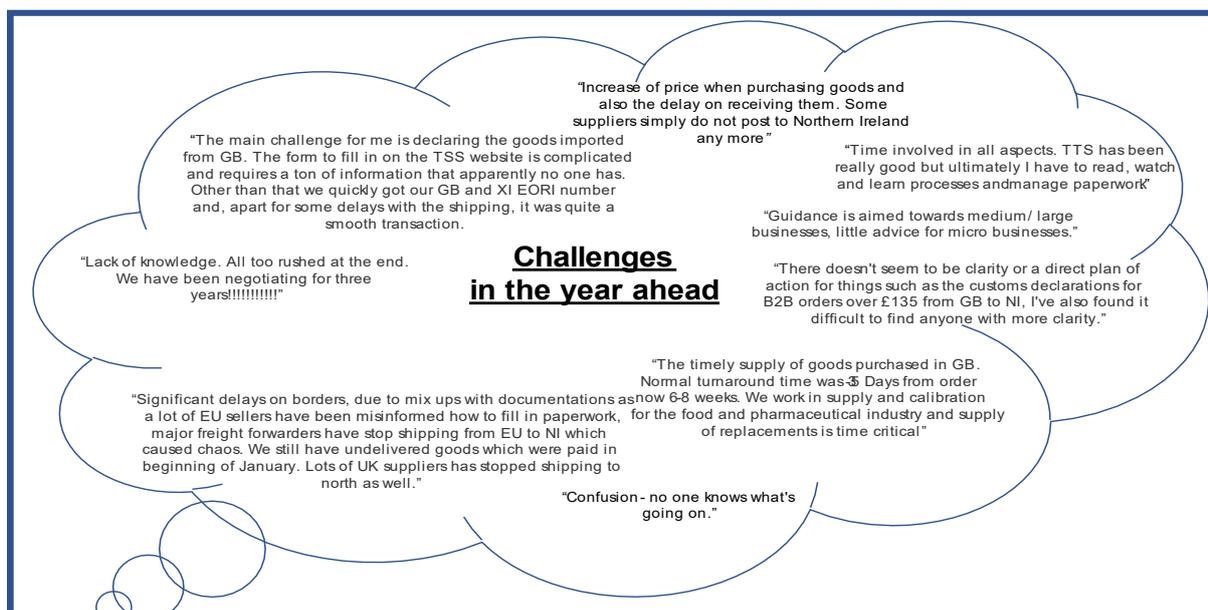
The feedback shows a high degree of uncertainty and a significant lack of knowledge around new processes and regulations. For instance, not understanding the meaning and timing of grace periods & derogations; not knowing the importance of knowing the difference of receiving goods as freight or parcels; and a lack of knowledge around the reasons for needing XI, VAT and EORI numbers to be used on invoices, statistical reporting, and customs documents. There is an immediate need for clear, easily accessible, information and guidance.

Whilst the Trader Support Service is a timely and welcome service there are significant frustrations and concerns about cumbersome administration and the accuracy of advice received. Also, referring to supplies via parcels as opposed to via freight – there is a lot of confusion amongst businesses and with a fast-diminishing grace period, the TSS has no system of support and/or guidance in place.

Big concerns have emerged from the findings around the level of and costs associated with additional administration. Businesses need immediate simplification and enhanced clarity around processes and procedures with the elimination of the resource burden of additional administration.

One of the biggest areas of concern, as expected, is businesses facing additional SPS related challenges and blockages to their business operations. Some of the detail is only coming to light as businesses face this new reality, A significant threat to the viability of the business models of many of Northern Ireland's agri-food businesses has emerged.

The survey also points to significant numbers of micro and small businesses beginning to positively exploit opportunities within the new trading environment. Northern Ireland's unique unfettered dual market access to GB and to EU, has prompted many businesses to ramp up their sales development activity in both GB and EU markets. Many NI businesses are reporting selling to or actively planning to sell to EU markets for the first time. There is also strong evidence emerging of GB based businesses allying strategically with NI based businesses to gain smoother access to their NI customer base and to the wider EU market.



## Summary and Conclusion.

It is an undisputable fact that Northern Ireland is a small business economy. Micro and small enterprises (existing for both commercial and social purpose) account for 98% of all businesses. These business owners, by their nature, are mostly agile and resilient. They will work hard to do their best and do what's best for their employees, wider communities and own livelihoods. Our businesses are having to react to this new trading environment, however, within the context of a Covid-19 affected economy. Our agile businesses reported, through the December 2020 Enterprise Barometer, they are also very fragile! 85% of businesses have been negatively affected by Covid-19, with 26% of business owners indicating they were in significant difficulty that threatened danger of closing.

Local enterprise and entrepreneurial activity will ensure businesses do their best to work through the challenges and opportunities presented by the new trading environment whilst forming the bedrock of economic and social recovery. Throughout history, global crises and events have been the apparent catalyst for massive changes in the development of our societies. In the early 1920s, following the Spanish Flu and at the end of World War I, entrepreneurs, innovators, scientists, and civic leaders emerged to help improve and shape their communities. The decade became known as the "Roaring Twenties" and many of the decades inventions and societal changes have contributed to our world as we know and live in it today. This pattern is evident after WW2 again and the present coronavirus pandemic will arguably not be an exception; entrepreneurs will rise to the challenge and will drive recovery and future transformation. We must quickly secure, resource and encourage an entrepreneurial environment if we are to give Northern Ireland any chance of recovery and future growth.

A critical part of this is businesses needing a smoother functional protocol. We must address the immediate need to eliminate or minimise the impediments, additional checks, administration, and costs that have emerged since January 1<sup>st</sup>, 2021, whilst supporting NI businesses to identify and pursue new opportunities.

### **Enterprise NI is calling for:**

**Northern Ireland Executive** to, firstly, provide the guidance and resources to support NI businesses to minimise disruptive impact and exploit opportunities of the NI protocol (as part of recovery and growth support). Secondly, to be a robust, informed, constructive, voice to UK Government and EU Commission in shaping the necessary changes and flexibility required for NI businesses and society, in the protocol. Finally, to work together to provide political stability and the economic and social certainty that businesses need.

**The UK Government** to urgently work to eliminate or minimise the impediments, additional checks, administration, and costs that have emerged. Additionally, to focus around working with the EU Commission to craft a resolve that will eliminate the challenging SPS goods issues. Finally, the UK Government must also provide clarity and support to GB based businesses building their confidence around supplying NI businesses.

**The European Commission** must, firstly, deliver the pragmatic approach showing flexibility, promised in recent days by European Commission vice-president Maros Sefcovic, to smooth over many of the process and procedural challenges. Secondly, it must continue working with the UK Government to agree the shift from both parties, structurally and legally to ease the SPS goods issues.



**For further information on this survey, further 2021 pulse surveys or the Enterprise Barometer 2020, please contact:**

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