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The Brexit Effect

How has Brexit affected e-commerce logistics in the United Kingdom and the rest of the European region?



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What is Brexit?

Brexit is the abbreviation for “Britain Exit”, which refers to the United Kingdom’s decision to depart from the European Union (EU). The deal officially started on June 23, 2016 with the passing of the Brexit referendum.

Brexit allows the United Kingdom to achieve more freedom to form its own trade deals and regulations.

Member states of the EU have benefited from trade deals, and the exit of the UK effectively revokes all access and rights to free trade with the union. Nevertheless, on 30th December 2020, a trade deal was made between the UK and EU under the EU-UK Trade and Cooperation Agreement (TCA), stating that there will be no tariffs or limits on the goods being traded between the UK and EU member states. However, one should expect stricter custom checks and documentation requirements at the borders. Whilst both parties can continue to trade without extra taxes, businesses do need time to adjust to these new procedures at the ports.

With Brexit, businesses in the UK will need to follow the regulations in each individual country from the EU. People with qualifications acquired in the UK may not be able to sell their services in the EU unless their qualifications are recognized in that specific country.

References:

"What is Brexit", Corporate Finance Institute

"What Is Brexit? And How Is It Going?", The New York Times 2021

"Brexit: 'Bumpy' Period Expected as UK Adjusts to New EU Rules", BBC 2020

"Brexit: What Are The Key Points of The Deal?", BBC 2020

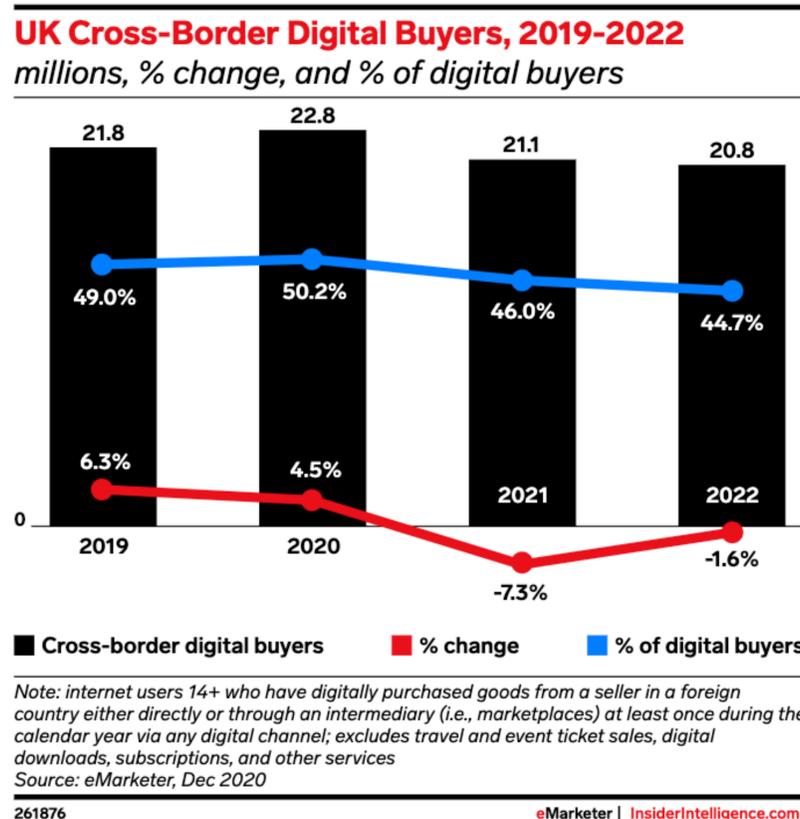
How Will Brexit Affect E-Commerce Businesses?

Pre-Brexit, member states of the European Union were popular destinations for parcels sent from the UK. With Brexit, e-commerce businesses can expect changes such as custom declaration forms, EORI numbers, custom tariffs based on country of origin, and VAT changes.

Since the UK is no longer part of the EU, the UK is now treated as a third country. The EU rule governs that VAT has to be paid on all goods imported from third countries. **EU customers who are purchasing goods from UK businesses must now pay VAT which is approximately 20% (depending on the nature of goods). Additionally, EU customers will be required to pay approximately €20 per customs declaration for goods imported from the UK.**

For example, when a customer from an EU member state purchases a pair of jeans from a UK e-commerce business for €150, they will be required to pay an additional €30 in VAT and approximately €20 for the customs declaration plus some handling fee by transporters. **These additional costs are a huge issue for e-commerce businesses, since this erodes their price competitiveness in the extremely competitive e-commerce landscape.**

In fact, Brexit could possibly have a wider effect on the cross-border market in the UK. A forecast by eMarketer also supports this claim; it is projected that UK consumers who purchase goods from foreign e-retailers will drop by 7.3% in 2021.



Source: eMarketer

In this report, we will explore the effect Brexit has had on the UK e-commerce logistics market. For this analysis, we did a comparison between the second half of 2020 (before the Brexit deal commenced) and the first half of 2021 (when the deal officially started).

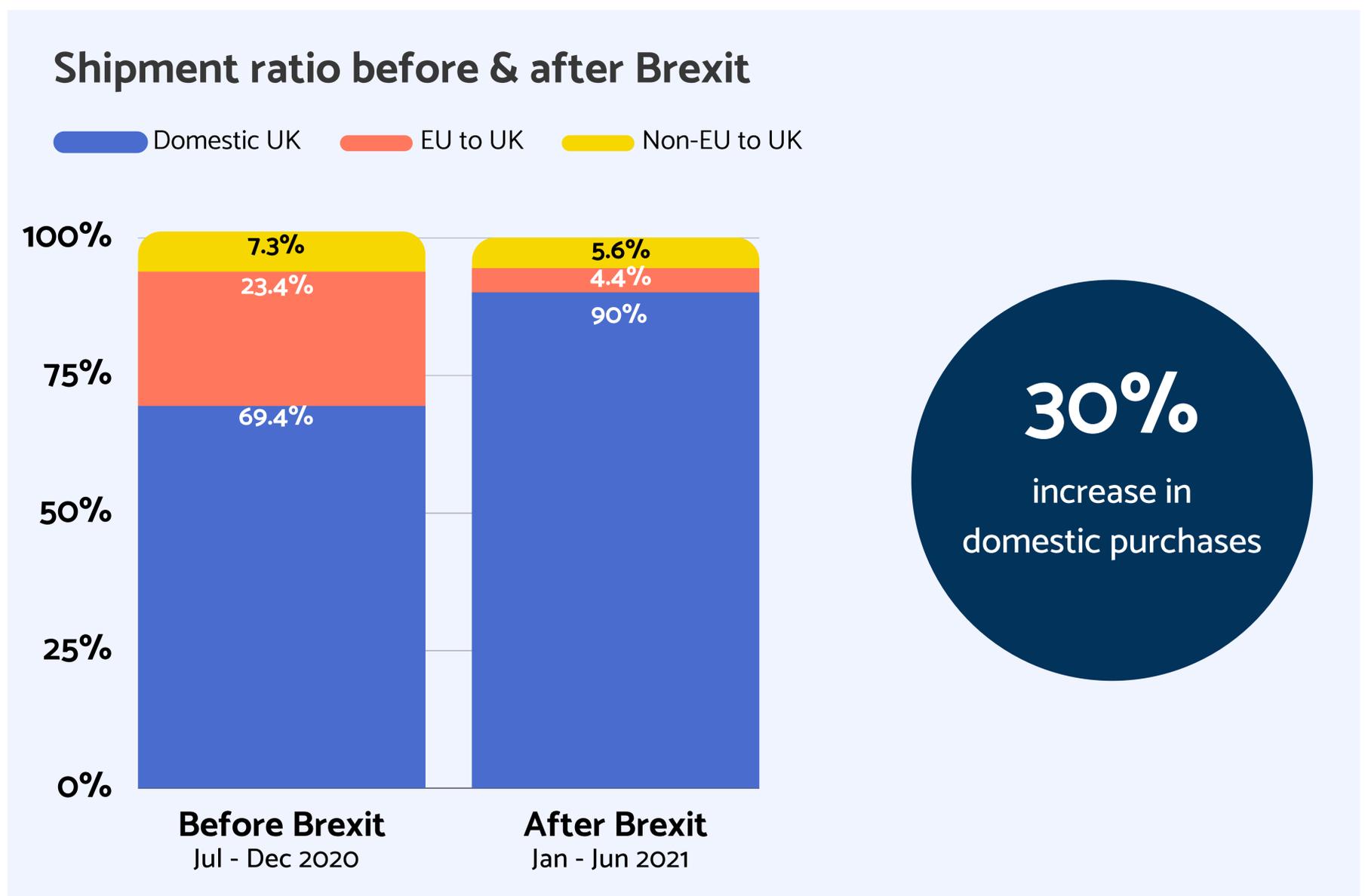
References:

- "60 days of Brexit: How UK E-Commerce Businesses Continue to Face Disruption" The Drum 2021
- "Buying Goods Online Coming From a Non-European Union Country", European Commission
- "UK Cross-Border Digital Buyers, 2019-2022", eMarketer

03

Brexit Brings Increased E-Commerce Opportunities for the Domestic Market

Before Brexit, 69.4% of parcels in the UK came from online domestic purchases; 8.6% of the parcels came from countries in the EU; and 9.2% came from other countries. After the Brexit deal officially commenced, the number of domestic purchases jumped by 30%, with parcels coming in from EU countries seeing a 56% drop. The volume of parcels coming from non-EU countries also dipped by 37%.



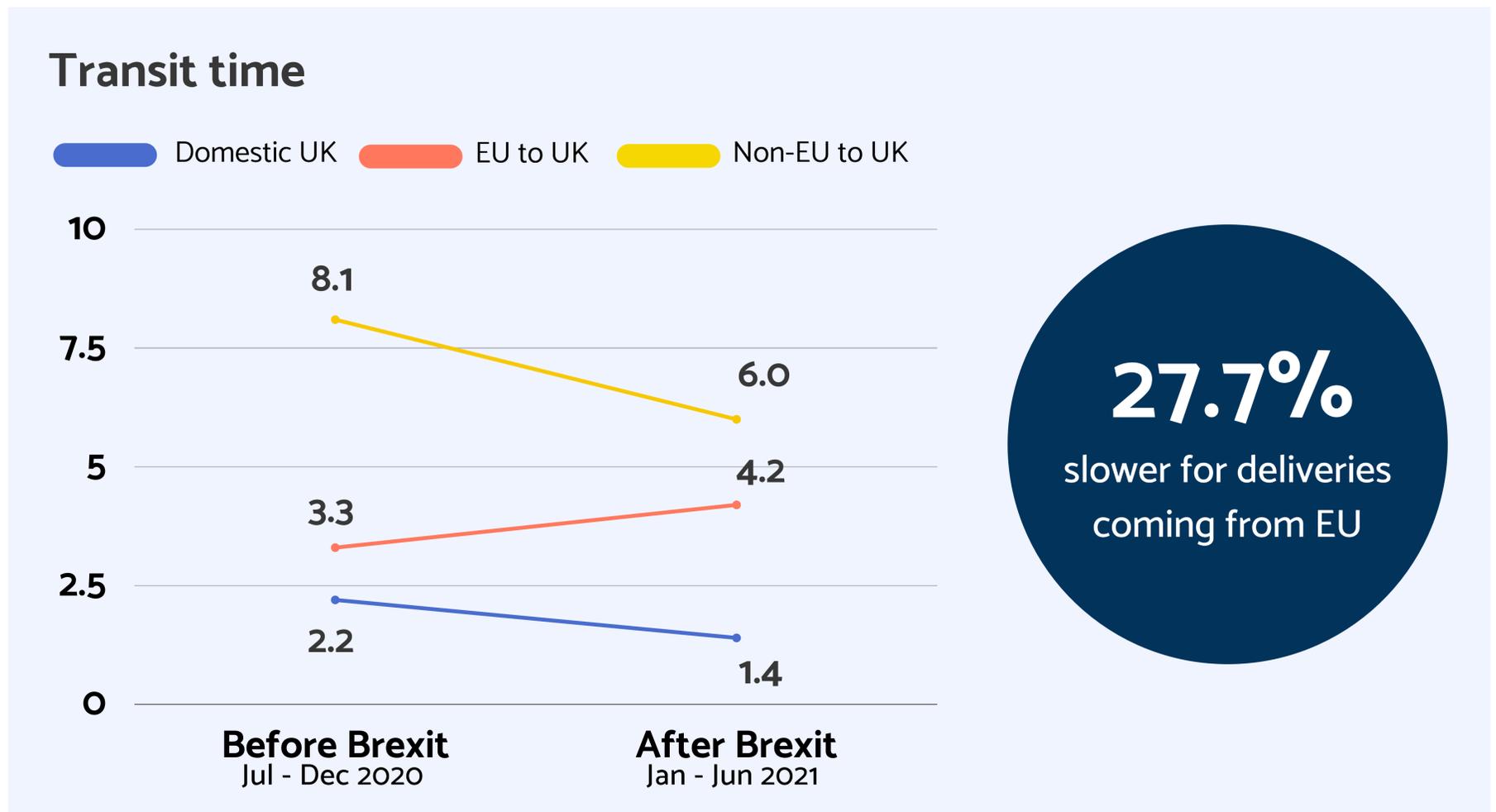
Although the trend of shopping locally was already growing during the past pandemic year, we believe that domestic e-commerce consumption was in large part driven by Brexit.

With longer delivery times and additional VAT fees, British consumers would be further discouraged from cross-border online shopping. With the UK's independence from the European Union, the previous cap on charges when making online purchases between the UK and the EU will be lifted. This means British consumers will have to pay an even greater premium when purchasing cross-border from EU retailers.

Source:
"Lockdown Legacies: The 10 Shifts in Consumer Behaviour for Retailers to be Aware Of", Barclaycard
"The Impact of Brexit on Cross-Border Ecommerce Between the UK and EU", The Paypers 2021

Longer Transit Time for Purchases From EU Countries

Although domestic parcel volume experienced significant growth after Brexit, domestic transit times seem to be improving. According to our analysis, the average transit time for domestic parcels went down by 38.1%. We observed a similar trend for parcels coming from non-EU countries, which saw a 25.9% drop in transit time. **Parcels coming in from EU member states, however, saw a 27.7% increase in transit time.**



Major logistics players like DB Schenker and DPD had to halt their UK deliveries post-Brexit

Another contribution to this delay for parcels coming into the UK from EU countries is the suspension of delivery services from major logistics players. Germany's largest logistics company, DB Schenker, suspended their shipments between the EU and Britain early this year due to the new regulations.

For similar reasons, French logistics carrier DPD also suspended UK to EU shipments. A lot of parcels were reported to be returned due to missing information in the paperwork, which is reportedly a manual process. Several other EU firms have also halted their UK deliveries post-Brexit.

References:

"Your Parcel Is in the Post... For Two Months, Thanks to Brexit", The Times 2021

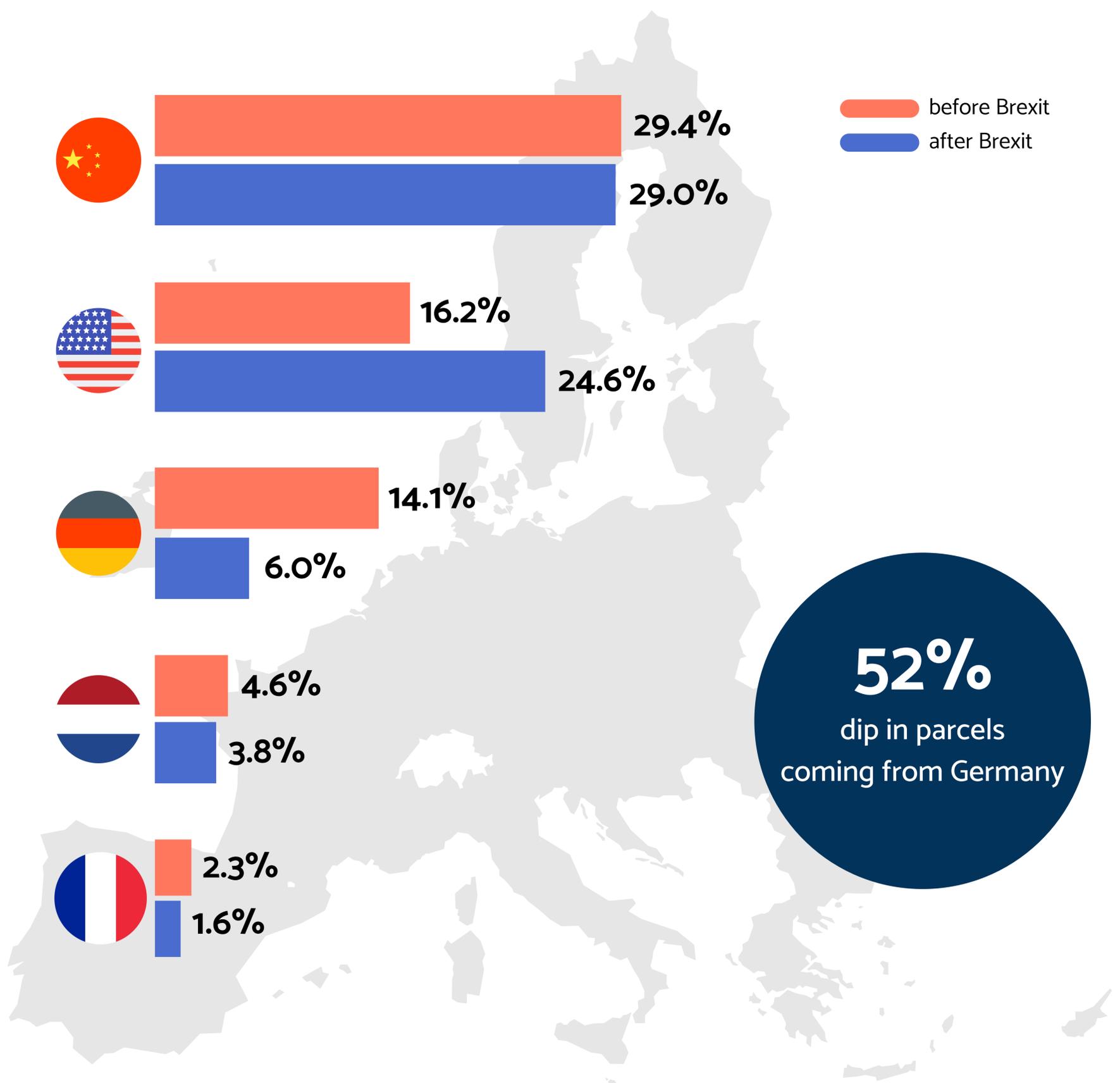
"Brexit: Germany's DB Schenker Suspends Deliveries From EU to UK", DW

"German Freight Giant DB Schenker Pauses UK Deliveries", BBC

Cross-Border Market Shifts Away from Germany

The cross-border market in the UK has been largely dominated by China and the US even before Brexit, and post-Brexit, these two markets are still winning the race with an equal 5.3% increase in parcels coming from both countries. However, parcels coming from Germany saw a pretty steep decline of 52.5%. This could be due to the suspension of deliveries done by German logistics giant, DB Schenker. The company faced significant problems due to the new regulations, with only 10% of the goods destined for the UK being accompanied with accurate customs forms.

Where are UK consumers shopping from?



About Parcel Monitor

Parcel Monitor is the leading platform for e-commerce logistics insights.

By leveraging on our data capabilities, Parcel Monitor creates an open space for the ecosystem to discover, collaborate and innovate. Through data and the collective wisdom of the community, we believe we can inspire change in e-commerce logistics and deliver a better experience for consumers, merchants, and carriers.



E-Commerce Logistics Community

Parcel Monitor is a global knowledge-sharing community. Discover the top e-commerce trends and events, retail news, and logistics data-driven insights.



Data-driven E-Commerce Logistics Insights

Parcel Monitor is the leading source for the latest e-commerce, retail, and logistics insights. Gain access to our data-driven e-commerce studies and logistics reports.

Data Methodology

Through our benchmarking and carrier performance measurement activities, we collect more than 1 billion anonymized data points from 130+ countries each year. High-quality data from millions of parcels tracked from more than 700+ carriers have been analyzed to create this report.

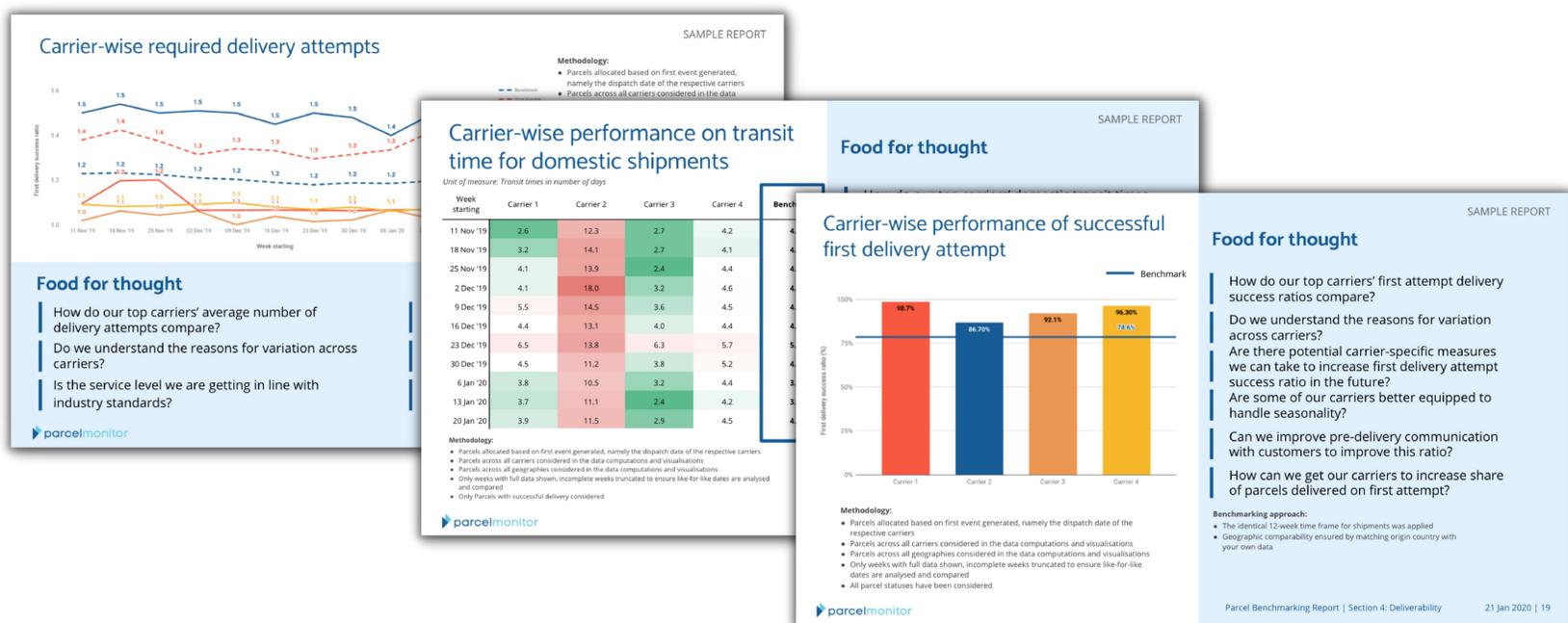
Domestic and international data is analyzed on “tradelane” level, comparing the same combinations of origin and destination to maintain data representativeness.

Benchmark data sets have been compiled with strict minimum requirements for data point quantity and comparability.

Want to Receive a Customised Logistics Report?

Parcel Monitor's Benchmarking Report measures your end-to-end logistics experience and compares it with data from more than 700 carriers and over 2 billion parcel tracking updates.

With these industry benchmarks, compare and understand your logistics performance against the top logistics performers in your market. With the right insights, e-commerce businesses can make data-driven decisions to enhance the consumers' experience and improve customer lifetime value.



What's Inside the Report?

A customized report with critical performance metrics such as:

- Parcel volumes split by domestic/international;
- Shipment transit times;
- Carrier dependence;
- Collection points deliveries;
- ... and more!

The reports are available for free for Parcel Monitor members. Request for one now!

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