



# PLÉSONA

## BUSINESS ADVISORS

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### Are you ready for Brexit?

It is very difficult to negotiate a long term agreement without some basis of trust. It is not like buying a house where it is likely that, after the transaction is complete, the parties may never have any reason to interact with each other ever again. Ask anyone who has been involved with a messy divorce, particularly where children are involved. It is usually necessary to come to a long term accommodation on various matters that can be uncomfortable for all parties. And that makes such negotiations very difficult. This seems to be where we are with Brexit. Both sides have very different agendas and are not even operating on a similar conceptual framework. So the likelihood of a comprehensive deal was always going to be slim. That is not to say that some matters can be agreed upon, but any agreement is likely to be very limited in scope. The one certainty is that there will be additional documentation required if you are importing or exporting between the EU and the UK. This is not a huge problem for companies that already trade in goods outside the EU, but many smaller firms in the EU only trade within the EU. This means they have no-one who is trained to complete export documents and in many cases may be too small to afford to employ anyone to do these tasks. Many small businesses will need certificates of origin from 1 January 2021 to export to the UK. The good news is that these can be obtained from your Chamber of Commerce in Ireland or Portugal (Câmara de Comércio). But whatever happens, the cost of trading with the UK is going up. All of these documents and procedures need to be paid for and that will almost always be a cost bourn by business. If tariffs are imposed, this will be a major concern in some business sectors. The average EU tariff rate for import is only 1.5%. So many sectors will not be greatly impacted. But cars and car parts will have a 10% tariff and dairy products will average 35%. That will make many food imports to the EU much more expensive and vice versa. Particularly affected will be the meat and dairy trade. Oranges will attract a 10% tariff in the UK and wine will be more expensive by £9.90 a bottle in the UK. All of this will cause many stable markets to change dramatically. Many EU companies will need to find new markets for their goods as the UK becomes more difficult for them to compete. But there could be worse to come. There is plenty of evidence that the customs procedures forced by Brexit will cause days of delay at ports in the early months of the new regime. Transporters of fresh produce need to be ready for their cargo rotting on the back of a lorry. Hopefully, that will be a temporary problem but another issue is that right now there is no official recognition between the EU and the UK on food standards. That could mean that all trade in food could stop dead. Given that the UK is a massive net importer of food, that would be a crazy outcome. Hopefully, there will be a deal and none of these things will come to pass, but can't you be sure. That's is why you need to have a contingency plan. If you have planned for the worst, you can afford to hope for the best.





## Innovation is the key to success

"Insanity is doing the same thing over and over again and expecting different results." This quote is often mistakenly attributed to Albert Einstein, but the core of the quote is very true. In our opinion, there are three classes of business in respect of innovation. The first group are the predictors. There are many that try to predict the future and the majority get it wrong. Successful predictors are very rare and they tend to be hugely successful. Examples would be Steve Jobs with the iPhone, Jeff Bezos with Amazon or Jack Ma with Alibaba. More of us are reactors. We see that change is happening and react to that change. This isn't always successful but it is right quite a lot of the time. The reactors are those businesses that are continuously listening to what customers want and don't want. They then design products and services to meet that need. There was a time when IBM made computers driven with data encoded on punch cards. It's a very long time since they exited that business and have evolved to be the company they are today. They continue to thrive, but they also understand that more change is on the way and they will need to adapt. The last group are the failures. These are businesses who ploughed on with an outdated business model to the point where they no longer exist. Many well-known names have gone by the wayside because they failed to adapt to changing customer needs. To innovate successfully means that you cannot be afraid of failure, but please learn from your mistakes.

## Why brand matters

Branding is not always the first thing that small businesses think about. It can seem like a useless bit of detail when you have limited time to get most things done. For many, it can slip down the list of priorities and remain unfinished or below standard. But branding isn't just about a logo. It's about the look and feel of your business to your prospective customer. And that look and feel includes everything from your logo, website and the look of your premises (assuming that customers actually visit your premises). All of this contributes to the brand identity that your potential customer perceives. It's what will make you look different from the competition. If you fail at this it is very possible that the customer may deem your business to be low quality or generic versus the opposition. In the latter case, they may still do business with you but you will find it harder to charge premium prices for what your customer perceives as a commoditised offering. Many businesses suffer from the delusion that they are somehow different. Unfortunately, it doesn't matter what you think. It matters what your customers think. And it is always useful to ask the question of your customers rather than relying on your own intuition. Equally brand marketing is a skill in its own right and it doesn't have to be "hairy fairy". Sometimes you need someone to challenge your perceptions. Don't be afraid to ask for help.

BRAND



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