

## Export Today: Tackling 5 Tough Issues

The Covid pandemic sparked generational lifestyle changes impacting how we live, work, eat, and shop. Volume remains stable for now, yet all companies face unprecedented inflationary pressures redefining our pricing and margin framework. Businesses thrive with innovation, but ultimately cash flow determines the health and direction of our business.

Export Solutions explores the 5 key issues impacting international development today.

### 1. Supply Chain

Retailers can't sell what is not in stock. Six weeks is no longer considered "safety stock" for overseas distributors. Most export success strategies involve distributors taking longer inventory positions, up to sixteen weeks in some cases. This allows distributors to serve as "super suppliers" with inventory when others are out of stock. The strategy can function if all stakeholders closely watch product expiration dates, weekly "sell out," and the cost of financing the extra inventory.

### 2. Pricing

What will your shelf price be on January 1? As discussed, there is a delicate balance required for managing the four margins between factory and shelf: brand owner, distributor, retailer, and promotion. All participants have a vested interest in offering consumers a "fair value" price that reflects market reality, but avoids the sticker shock of a 20-30% increase versus last year. Distributors point to a solution where each participant displays

flexibility. This could include a scenario where a manufacturer delays a price increase several months, a distributor sacrifices some gross margin, and the trade agrees to protect penny profit, but take a lower margin. Promotion spending is a key variable, as many distributors deploy promotion funds to offset or delay the price increase.

### 3. Who is Your Team?

Tough discussions require managers to abandon their comfortable home office for life at the airport again. I advocate that an investment in a locally based manager may represent a higher investment priority than an increased marketing budget. To succeed in the USA (European brands), Saudi Arabia, and China you must hire an in-country representative glued to market issues. Additionally, please select a local expert as your manager, not someone from your country living abroad on a three-year adventure.

### 4. Elevate & Activate

Bigger opportunities appear through improved in-store execution in existing markets than chasing dreams in China, Indonesia, or Brasil. Our page 2 column shares practical strategies to elevate and activate your brand's presence at current supermarket and e-commerce customers.



### 5. 2023 Plans

How will you budget for 2023? First half 2022 results may inspire a false confidence for 2023 plans. Conservative thinking forecasts a 2023 recession, as price increases finally translate to shelf tags. Cash-starved consumers retreat to the basics, burdened by higher living costs everywhere. Fortunately, everyone still eats and appreciates an affordable food luxury. I appear optimistic for the Middle East and Asia, neutral on Europe, and pessimistic for Latin America (outside Mexico). An upside exists if the war in Ukraine ends and oil prices return to historical levels closer to \$75 per barrel.

No year is easy, and 2023 could feel the deep pain from inflation. A bright note emerges signaling that the dramatic limitations caused by the pandemic are slowly diminishing. Our lives are changed forever, but at least we can travel to resume the critical face-to-face discussions of business development.

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