

# Euro-USD Exchange Rate: Money Matters

The euro and USD trade at parity for the first time since July 2002. The recent euro devaluation is a direct result of instability created by the Russian invasion of the Ukraine. The euro has declined 16% versus last year and historic levels ranging from 1.13-1.20. Other benchmark currencies such as the UK pound and Japanese yen trade at multi-year lows. This signals some pain for USA multinationals such as P&G, Mondelez, and Kraft Heinz, with sizable European businesses. On the other hand, European exporters may discover a unique window of opportunity to develop their USA business due to a more competitive pricing framework.

## USA: Retail Business Remains Strong

There is a permanent shift to food consumed at home in the USA. Most food brands are tracking 5-10% ahead of last year through a combination of steady volume and price increases. Home-based workers now purchase food from supermarkets for breakfast and lunch. Dinners feature more inspired meals, as people do not suffer through the evening commute. Restaurant prices have skyrocketed, especially in the fine dining segment, making eating out a special occasion event versus a regular habit. As a result, USA consumers are searching for new options and open to spending a little more for innovative brands from Europe, Asia, and the Americas.

## 415 USA Retailers

Export Solutions' retailer database tracks 415 USA customers, segmented by state and by channel. There are plenty of small- to mid-size chains willing to try an international brand to offer a differentiated assortment versus national players such as Walmart and Kroger. International brands should offer a compelling story, category innovation, and a commitment to brand support. A difference versus Europe is that the average USA store sizes exceeds 40,000 square feet (4,000 sq. meters) with plenty of space. Hard discount is not a factor, with Aldi, Lidl and others accounting for 2% market share. Private label market share is only 18.8% according to Nielsen. A proven strategy is to build a presence at high-profile premium retailers before gradually expanding to mass operators.



## Three-Tier Model

Most overseas brands partner with one of the 614 "importer" distributors in our USA distributor database. In the USA "distributors" usually refers to wholesale distributors such as UNFI or Kehe.

International brands must consider three margins in their value chain: importer distributor, wholesale distributor and retailer. However, with a lower cost basis due to currency and elimination of Trump-era tariffs, many European producers are more competitive today than at any time in their recent history.

## Saudi Arabia, UAE, Panama, HK, & Ecuador

Many countries peg their currency to the USA dollar. This includes the Gulf nations and the Caribbean islands. Panama is an attractive growth market, a hub for Latin America. Ecuador features a population of 18 million and the USA dollar is legal tender. Hong Kong features high acceptance of international brands. All of these countries are worthy of renewed consideration due to the current euro exchange rate.

## USA Brands: More Marketing

Made in the USA brands will experience higher price points in Europe. However, a strong dollar also translates to more marketing muscle for overseas investments due to the elevated purchasing power of the dollar. Next year may be the time to stretch your investments in social media, sampling, and promotion to build long-term brand equity.

## Revisit your Price Calculation

Successful distributors are brand builders versus currency traders. Value-chain calculations should be examined to ensure that all partners maintain a fair mix of profit and investment, without currency fluctuation shifts falling to the bottom line. Online price checks of retailer web shops allows you to instantly check the current assortment and pricing of most leading USA retailers including Walmart, Kroger, and Costco.

## Retail Safari

One option to accelerate your North America growth strategy is to participate in a Retail Safari program from Export Solutions. This "hands on", commercial approach allows companies interested in USA development to benefit from an intensive look at the USA and your category. Participants in this one-week program visit three or four benchmark cities like Atlanta, Metro New York, Los Angeles, and Toronto. Atlanta is critical as the commercial capital of the populated south (38% of USA) as well as an opportunity to check all national retailers in one suburb to see the real USA market: Walmart, Costco, Kroger, Publix, Whole Foods, Trader Joe's, Target, Sam's Club, Fresh Market, etc. Metro NY (or Boston) allows you to observe more regional chains, with lower cost-of-entry requirements. The Retail Safari includes daily briefings on core topics such as USA broker models, trade promotion strategies, and value chain calculation. Contact Greg Seminara for more information.