

Report: Uncertainty is the New Norm in Trade, and New Sourcing Locations Will be Key

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This year hasn't been an easy one for trade, with deals becoming defunct or upended, Brexit remaining an ongoing riddle and weather-related catastrophes disrupting global supply chains.

Apart from the stress these market forces may have induced, they've also served as a reminder that agility is in higher demand than ever before.

"Networks that had been relatively stable for years are now in flux," Amber Road said in its [Trade Trends Report](#), released in partnership with the American Association of Exporters and Importers. What's needed now are supply chains built to brace against the key disruptions upsetting the space.

Like e-commerce, for one.

The state of the e-commerce shift

E-commerce—no matter how small it's share of overall retail may still be—is drastically reshaping the retail landscape and has had a considerable hand in this year's rampant store closures.

As of the end of August, 6,098 store closures have been announced, which marks a 182 percent increase over the 2,159 major store closures in 2016.

Payless has closed 700 stores, Sears and Kmart have closed 358, Bebe closed all of its nearly 180 stores, J.C. Penney closed 138 and Macy's shuttered as many as 100 doors. And that's just naming a few.

"The tidal wave of store closings that swept through the retail industry in 2016 tool down both old icons and newcomers alike," the report noted. "While part of this was attributable to the global economic climate, a large portion of the impact came from e-commerce replacing traditional sales channels. Yet the wave of store closures that began in 2016 hasn't crested just yet."

The store closure problem seems to be largely the over-stored United States' cross to bear, as store closures in the U.K. this year are down to 584, compared to 1,021 in 2016.

In line with all of these closures, however, consumer spending has been up.

"With traditional retail going down, that can only mean online shopping is going up. In response, companies are shifting their sights to e-commerce sales and fulfillment channels," the Amber Road and AAEL report noted.

Sixty-nine percent of those surveyed for the report are currently using online sales channels, and more than half of those that aren't have plans to do so. Fifty-six percent of the companies manage their online channel internally, while 12 percent have outsourced it to a third-party.

"That leaves a gap where disruption can sideline shipments," according to the report.

Whether retailers are up to speed or not, consumers are already designating their dollars to e-tail.

Nearly 82 percent of consumers said they'd shop online channels this holiday, compared to 77 percent who said they'd shop in stores. Three-quarters of all holiday shoppers said they'd be buying on Amazon.

"Traditional retailers will be hard-pressed to lure consumers away from the mammoth online marketplace, so having a concrete plan to manage e-commerce sales is required to succeed," the report noted. "With the increasing trend of preferring online shopping over brick and mortar most prevalent among Millennials and young families, the future of retail is looking more and more digital."

The state of free trade agreements

Shakeups resulting from the U.S. withdrawal from the Trans-Pacific Partnership have forced some companies to rethink their sourcing strategies, and with a heightened need for greater speed to market, the sourcing map seems to be shifting.

U.S. shippers pegged Canada as the top import export destination, followed closely by Europe and China. Mexico, South and Central America came next, and only after those are sourcing executives looking to Southeast Asia and Africa to get their goods.

The most used free trade agreement those surveyed pointed to was NAFTA, though the future of that trade deal still remains unclear as renegotiations are ongoing.

"Any company that uses NAFTA for duty-free trade should be watching the proceedings with caution, and making contingency plans should the negotiations go poorly," the report noted. "One place to look would be other existing FTAs, which have very low utilization rates across many industries."

The U.S. FTA with Bahrain, with the East African Community (EAC), the South Asian Free Trade Area (SAFTA) are among those least used by survey respondents.

“While the TPP is defunct, ghosts of it may reappear in NAFTA’s new digital chapter. How close it will adhere to the TPP is anyone’s guess, but companies looking to stay ahead of the competition would be smart to begin planning for any eventual changes and new regulations now,” according to the report.

The state of sourcing and supply chain challenges

Sourcing may have been relegated to just another link in the chain in years past, but retail’s ramped up demands have put more focus on what the back office is doing and how they’re doing it.

The biggest challenge for sourcing executives this year has been the United States’ protectionist trade policy agenda. E-commerce competition followed as a close second in terms of concerns.

“These concerns over protectionist policies, which include not just scrapping existing FTAs but also punitive tariffs against major trading partners like China, complicate sourcing decisions immensely,” the report noted. “However, consumers will continue to shop and global commerce will continue to operate, so supply chain professionals must utilize technology to gather and analyze all available data, and use that data to make the best choice possible.”

It’s the first time in a while that costs haven’t been the utmost concern among sourcing and supply chain executives, and the shift points to a greater focus on the product quality and the time it takes to get it to the consumer—both of which ranked at the top of companies’ most important considerations when choosing where to source a product, the report noted, citing the U.S. Fashion Industry Association’s 2017 Benchmarking Study.

For now, it’s digitization over everything to meet today’s demands. Even when it comes to determining where to source product.

“The consumers are already online and growing in numbers each year. Taking your business online to meet them is one of the few avenues for sustained growth amidst a sea of store closings,” according to the report. “Companies must also begin to embrace uncertainty as the new norm. Geopolitical events, protectionist policies, and weather catastrophes can’t be controlled, but they can be planned for. Balancing these risks requires proactively seeking out new sourcing locations that can benefit not just the company’s bottom line, but also the company’s brand and social cachet.”