

# US Election Business Outlook: Retail Executives See Significant Cause for Concern around Protectionism & Tariffs

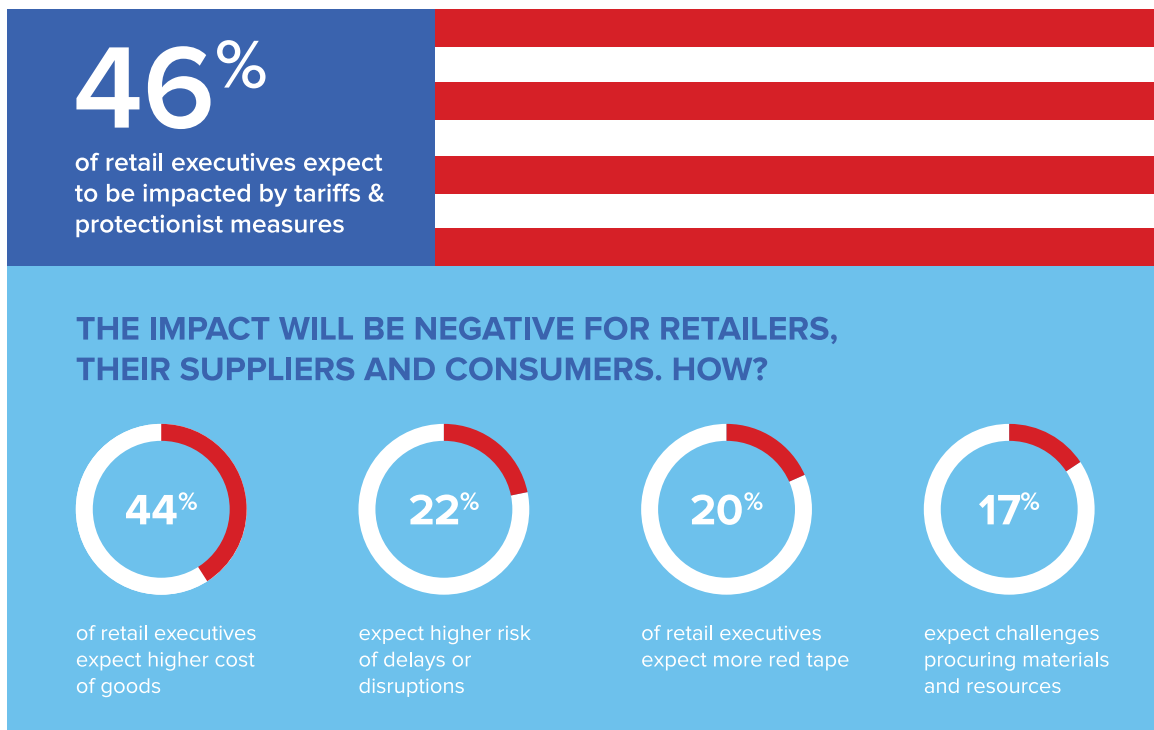
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## Summary

A wave of protectionism, anti-trade and anti-globalization sentiment continues to cross the globe. The latest example being Brexit. In the US similar dialogues are emerging, particularly as the Presidential election nears. Both candidates have taken stances against free trade and agreements such as TPP and NAFTA. This is a shift from both sides of the political aisle. The Republican Party is traditionally the flag bearer of free trade. Yet, its candidate lashes out on the unfair nature of trade deals and talks of imposing high tariffs on goods. The Democratic candidate has historically supported free trade deals but has backed away from NAFTA and TPP.

As opposition to free trade grows, GT Nexus set out to determine the business impact on an industry that directly touches the wallets of consumers: retail. GT Nexus and YouGov surveyed over 250 senior level retail executives across the US to gauge the impact of potential tariffs and protectionism upon their business. We also set out to determine their level of preparation and plans to handle such changes.

### The key findings:



Retailers were clear that they have multiple options for dealing with trade friction. The most prominent response? 36% plan to raise prices if protectionist measures are implemented. Passing the cost and pain along to consumers is not their only option. Carving out efficiencies in production and supply chain, or avoiding tariff areas are potential avenues. But 68% of retailers surveyed said they have no programs in place for supply chain agility and flexibility to address incoming trade risk. It appears that many retailers see this challenge coming fast but lack the capability to proactively address it. Global trade is a complex yet fragile business. As friction and risk rise in the global supply chain, it becomes even more essential to operate a flexible, fast moving supply network capable of providing visibility into goods and parties that lie in the path of danger. With this in hand, retailers can make adjustments to sourcing and production of goods to avoid costs and risks. Unfortunately most retailers are ill equipped to meet this challenge.

## Background

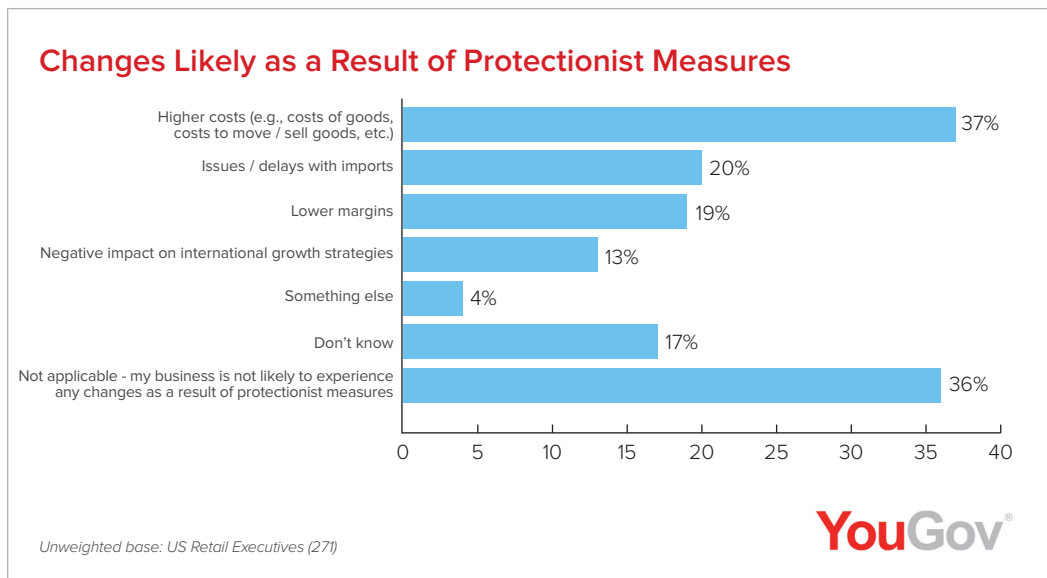
Methodology: This survey has been conducted using an online interview administered to members of the YouGov Plc panel of 1.8 million individuals who have agreed to take part in surveys. Emails are sent to panelists selected at random from the base sample. The e-mail invites them to take part in a survey and provides a generic survey link. Once a panel member clicks on the link they are sent to the survey that they are most required for, according to the sample definition and quotas. (The sample definition could be “US adult population” or a subset such as “US adult females”). Invitations to surveys don’t expire and respondents can be sent to any available survey. The responding sample is weighted to the profile of the sample definition to provide a representative reporting sample. The profile is normally derived from census data or, if not available from the census, from industry accepted data.

YouGov plc make every effort to provide representative information. All results are based on a sample and are therefore subject to statistical errors normally associated with sample-based information.

## Findings Report

As the 2016 US Presidential election nears, retail executives expect business to be impacted by tariffs and red tape as trade policies move away from free trade. Consumers are likely to be directly impacted by retailers’ pain. According to a survey of 250 US retail executives, protectionist measures will likely result in the following changes:

- higher costs (37% of respondents)
- issues and delays with imports (20% of respondents)
- lower margins (19% of respondents)
- negative impact on international growth strategies (13% of respondents)



All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 271 US retail executives. Fieldwork was undertaken between 25th – 31st July 2016. The survey was carried out online.

Both Republican presidential nominee Donald Trump and Democratic presidential nominee Hillary Clinton have said they would not support the Transpacific Partnership agreement (TPP). With both candidates shifting away from free trade sentiment amidst growing talk of protectionism measures, there is expected to be a significant impact on business.

***“I would tax China on products coming in. I would do a tariff, yes — and they do it to us.... I would do a tax and the tax, let me tell you what the tax should be ... the tax should be 45 percent.”*** - Donald Trump

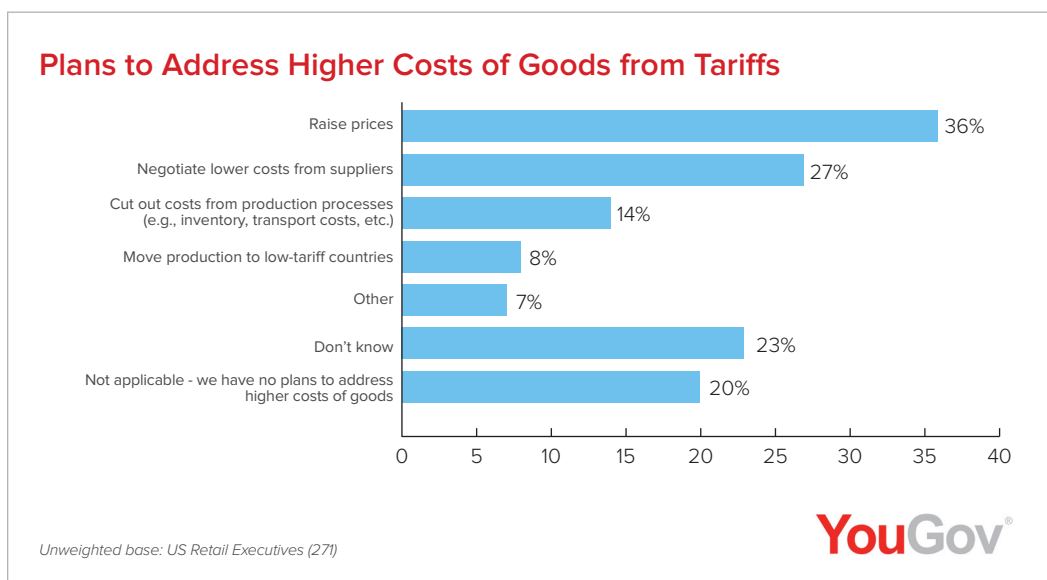
***“I oppose the TPP agreement — and that means before and after the election.”*** - Hillary Clinton

If protectionist measures do become a reality once a new president is elected, retail executives expect a significant impact on their business and import of goods:

- 46% expect to be impacted by tariffs and protectionist measures
- 13% expect a significant impact

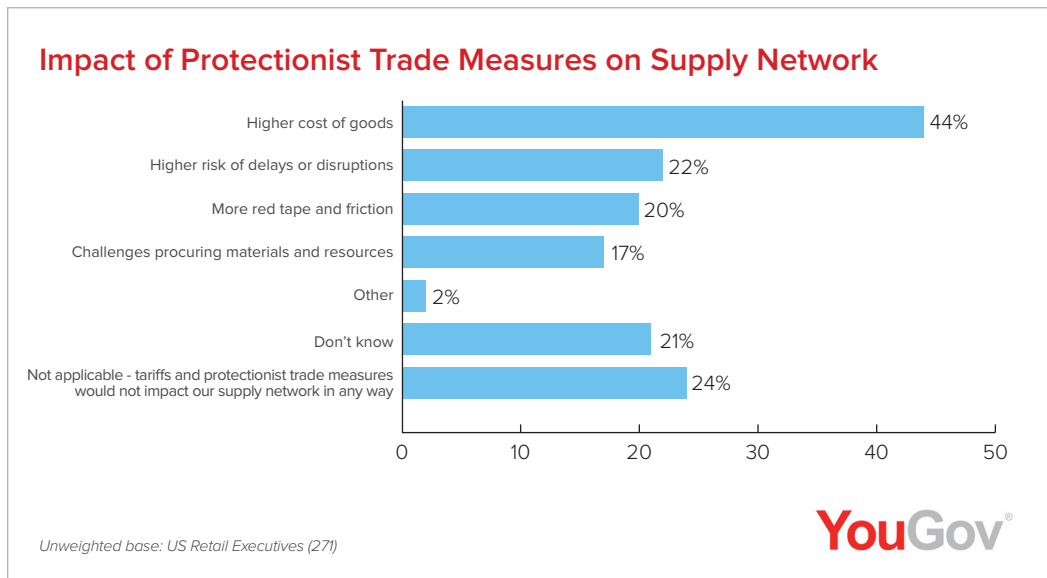
How will this play out? Retail executives plan to take a plethora of actions to address higher costs of goods from tariffs. And there will be a direct impact on consumers and suppliers.

- 36% plan to raise prices
- 27% plan to negotiate lower costs with suppliers
- 14% will cut out production costs
- 8% will move production to low tariff countries



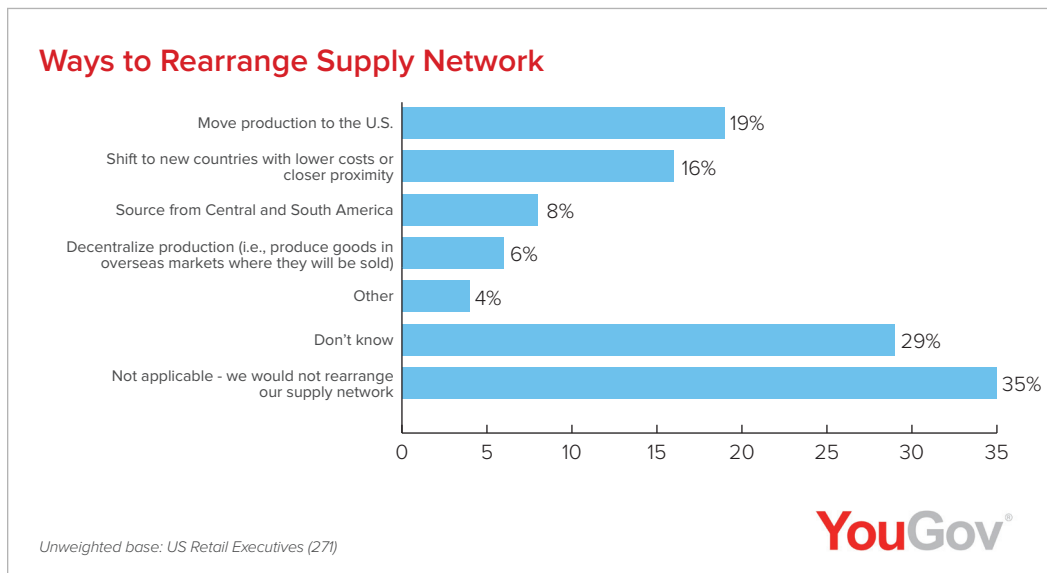
The expected impact on the retail supply network is significant. Based on the survey:

- 44% expect higher cost of goods
- 22% expect higher risk of delays or disruptions
- 20% expect more red tape
- 17% expect challenges procuring materials and resources



Retail execs plan to rearrange their supply network to counter rising costs and trade friction stemming from protectionism. Retailers surveyed called out multiple strategies:

- 19% would move production to the US
- 16% would shift to new countries with lower costs or closer proximity
- 8% would source from Central and South America
- 6% would decentralize production of goods





## Recommendations:

The 2016 US Presidential Election brings uncertainty to the global trade stage. Retailers and consumers are significantly exposed. While retailers appear to be unprepared to offset the costs stemming from tariffs and red tape, they are not powerless. Rather, retailers should address this risk just as they would any other form of risk that arises in the global landscape. Tariffs and protectionism, like Brexit and any other manmade or natural disruption, are just another form of supply chain risk that requires technology to connect partners and deliver visibility.

Retailers can be prepared with the right infrastructure in place. Global trade risk, in this instance, comes in the form of tariffs and friction across the global supply chain. The goal of “staying out of the line of fire” involves avoiding regions and countries impacted by in-coming policies, and having the agility to dodge bullets by shifting production of goods. This is not an easy task. But those retailers who operate their supply network in a digital ecosystem with connectivity based in the cloud maintain the greatest ability to be agile and flexible in response to trade friction caused by policy changes. Unfortunately, the survey shows most retailers today lack the supply chain connectivity and agility needed to proactively fend off these types of challenges.



**Infor**

641 Avenue of the Americas  
New York, NY 10011  
United States  
Phone: +1 646 336 1700  
[www.infor.com](http://www.infor.com)



**GT Nexus**

1111 Broadway #5,  
Oakland, CA 94607,  
United States  
Phone: +1 510 808 2222  
[www.gtnexus.com](http://www.gtnexus.com)



August 2016 survey of 250 U.S. retail executives, conducted by YouGov on behalf of GTNexus