

THE TOP 5 CHALLENGES FACING IMPORTERS TODAY

and what to do about them

Importing is not for the faint of heart. In the last four years alone, the industry has seen wave after wave of new global challenges arise.

In this guide, we will outline the top five challenges facing importers today, as well as how to solve them.

mercadolabs.com →



CHALLENGE # 1

ESG & CSR

Environmental, Social, Governance (ESG) and Corporate Social Responsibility (CSR) are, in reality, two sides of the same coin. Both have the same root cause: an incomplete understanding of the first mile of the import supply chain.

Take the automotive industry for example; many long-standing manufacturers are struggling right now because they can't source enough microchips for today's highly computerized vehicles. As the sub-components of these fundamental parts come from diverse sources often unknown even to the automotive company, if any link in that chain is broken, it creates an immediate issue that the automotive brand is blind to fix.

Automotive brands aren't alone in facing these pressures, however. McKinsey recently reported that companies will lose 30-50% of an entire year's EBITA every 10 years due to supply chain disruptions¹. A reality that comes at too high a cost for most.

While the outcome of an effective ESG program is higher resilience, an effective CSR program leads to higher transparency. As consumers become increasingly savvy and ever more demanding,

retail and Consumer Product Goods (CPG) are coming under increased pressure to provide customers with accurate information about the impact of their products on people and the planet. The sub-components of a shirt (like cotton, thread, ink, and buttons) come from diverse sources often unknown to the fashion company². Without this knowledge, it's impossible to provide the level of transparency their customers want.

The solution: the creation of a digital supply network. By connecting the importer directly to their primary source of production and, in turn, each of their sub-suppliers, a digital network ensures businesses know what's happening and who is involved at every step. Improved transparency, improved resilience.



CHALLENGE # 2

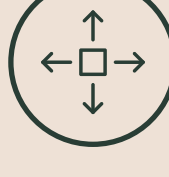
Trade Wars

Trade Wars have always created higher costs and increased uncertainty for importers, however with the influx of sanctions and taxes in the last few years alone, international importers have never been more at risk.

The primary weapon in this type of "war" is the use of tariffs. When tariffs are announced, costs increase and margins are negatively impacted. Tariffs also create uncertainty, greatly impacting importers' ability to forecast accurately.

Although you can't prevent trade wars from occurring, you can be prepared for them.

The solution: a digitized product master combined with production controls and a robust analytics engine. Together, they enable importers to immediately analyze the impact of a tariff announcement and respond instantly – before the tariff takes effect.



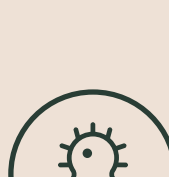
CHALLENGE # 3

Sourcing Shifts

Sourcing Shifts occur when the primary country where goods are sourced and manufactured becomes unstable or uneconomical. There are many factors that create either or both of these conditions, such as political unrest, higher wages, higher costs (as a result of factors such as tariffs), trade tensions, or decreased productivity.

A shift from one county to another is a major undertaking. The new supplier and host country will almost certainly have completely different operating environments that require thorough vetting and corresponding procedures. In addition, language, government policies, infrastructure, currencies, experience, and cultural differences also contribute to this increased complexity too.

The solution: a cloud-based Import Management System (IMS) containing all of the operating specifications, workflows, and requirements in a single, real-time platform. And with added configuration capabilities like native language translation, an IMS can radically transform the ease at which importers can make changes on the go.



CHALLENGE # 4

The COVID-19 Pandemic

As the recent COVID-19 pandemic swept across the world, it created waves of supply uncertainty followed by waves of demand uncertainty.

Importers who were not digitally connected to their suppliers and vendors suddenly lost touch with their supply for weeks – or in some cases, months. Conversely, as demand was impacted, there was no reliable way to share the changes with the supply side of operations. Urban Outfitters reported to the Wall Street Journal that they had \$500 million dollars in working capital tied up during this time³.

The solution: a digital supply network that connects all suppliers, partners, and products; connecting supply information in real-time to the demand network and connecting internal teams, suppliers, and partners.



CHALLENGE # 5

Bottlenecks

The global pandemic also created another challenge in transportation. With demand dropping drastically, carriers pulled capacity creating a severe imbalance of containers.

This lack of containers created a panic akin to scramble for toilet paper and a surge in demand on vessels which in turn created challenges getting onto the vessels and a ripple effect throughout the entire supply chain.

Companies such as Peloton reported to the Wall Street Journal (WSJ) that they were going to pay an additional \$100 million dollars to get their products back on track⁴.

The solution: an Import Management System (IMS) with advanced analytics and reporting. Importers who created great forecasts with real time updates fared the best. There are 11 other related benefits from having a digitized first mile – discover more at mercadolabs.com.

So what should you do next?

Mercado is an Import Management System (IMS) designed to help businesses rely less on Microsoft Office and email to manage millions of dollars of inventory across their supply chain – from First Mile to Last.

If you import, you need an IMS. A typical order has a value of \$50,000, involves 28 people, eight departments, seven business entities, and takes four months to complete. Without an IMS, this process is inefficient, opaque, and high risk.

Mercado gives importers back the control they need to improve their processes, build in automation, and gain valuable insights that enable them to save time and money.

Plan, buy, and move your products from First Mile to Last Mile with ease and get to market faster, save money, and improve sales.

Book a personal demo today.

mercadolabs.com/demo →

¹<https://apps.npr.org/tshirt/#/title>

²<https://www.mckinsey.com/business-functions/operations/our-insights/risk-resilience-and-rebalancing-in-global-value-chains>

³<https://www.wsj.com/articles/urban-outfitters-navigates-inventory-challenges-amid-pandemic-11599557402>

⁴<https://www.wsj.com/articles/pelotons-expensive-race-against-time-11612530000>