



# Tariffs Create Turbulent Times in the Retail Sector



**Special Report  
By Elias Amash**

## **Turbulent Times in the Retail Industry with Higher Prices Ahead for Consumers**

The US trade deficit with the world has created an opportunity for President Trump to attempt to renegotiate trade deals around the globe. He has been increasingly aggressive with trade partners like China in hopes of closing the trade gaps. Whether you like the Trump administration or not, the recent trade war with China has already begun to reshape retail businesses and will ultimately be draining the wallets of average consumers throughout the USA.

"The toughest thing is just the market uncertainty and those effects," Joseph Foudy, professor of economics at NYU said. "The stock market is jittery, but there's so much uncertainty about what the U.S. and others will impose. We see them move nervously but toward no particular outcome. It is slowing down business investment; uncertainty does that ... businesses need to know what's happening or they just put things on hold."



Chinese exports to the US increased 9% to \$297 billion between January and July of this year. At that time, it appeared things were not working and that the American consumers would be spared. That didn't last long and the truce on retail goods was

lifted when the US imposed 10% duties on over \$200 billion worth of Chinese goods. The list includes thousands of products and China retaliated with duties of 5-10% on \$60 billion worth of US goods. That was the first time that the trade war directly targeted retail and its supply chains.



In September, America's trade deficit with China reached a new high of \$34 billion which was a 13% increase compared to last year. China has responded to Trump's tariffs in kind and has purposefully increased its exports to the US while it has stopped buying as much from US manufacturers. This has created the perfect storm for the American retailer and consumer. The prospect of a greatly intensified trade war with China has retailers concerned. Companies like Apple and Ford have warned that the tariffs could raise prices and affect where they make their products.

The tariffs have 2 main impacts at this point: first and foremost it will raise prices for consumers and tax American business, manufacturers, and importers. Secondly, it will also send most retailers searching other countries for suppliers where the tariffs can be bypassed. "You can't avoid having direct impacts on consumer products, from apple juice to car seats," said Jake Colvin, the vice president for global trade issues at the

National Foreign Trade Council, a pro-trade business group. But the additional tariffs, like those already levied, will also hit a range of Chinese goods used by U.S. manufacturers to make finished products. Making those goods more expensive will act as a sea anchor on U.S. businesses, Colvin said.

In the tables below from [STR Trade](#), we can see the Tariff timeline:

#### Dates & Deadlines

| List 1                             | Date            |
|------------------------------------|-----------------|
| 25% duty effective on List 1 items | July 6, 2018    |
| Deadline to request exclusions     | October 9, 2018 |

| List 2                                   | Date              |
|------------------------------------------|-------------------|
| Comments on specific subheadings due     | July 23, 2018     |
| Deadline to request to appear at hearing | June 29, 2018     |
| Pre-hearing submissions due              | June 29, 2018     |
| Hearing on List 2 products               | July 24, 2018     |
| Post-hearing rebuttal comments due       | July 31, 2018     |
| 25% duty effective on List 2 products    | August 23, 2018   |
| Deadline to request exclusions           | December 18, 2018 |

| List 3                                                                              | Date                                                   |
|-------------------------------------------------------------------------------------|--------------------------------------------------------|
| Deadline for filing requests to appear at hearing and summary of expected testimony | August 13, 2018<br>(previously July 27, 2018)          |
| Hearing on List 3 products                                                          | August 20 - 27, 2018<br>(extended from August 20 - 23) |
| Post-hearing rebuttal comments due                                                  | September 6, 2018<br>(previously August 30, 2018)      |
| Due date for submission of written comments                                         | September 6, 2018<br>(previously August 17, 2018)      |
| 10% duty effective on List 3 products                                               | September 24, 2018                                     |
| 25% duty effective on List 3 products                                               | January 1, 2019                                        |
| Deadline to request exclusions                                                      | TBD                                                    |

In a major shift toward consumer goods, the trade war entered a danger zone for retailers. Now the retailers and consumers will face the brunt of these tariffs as they are impacting the entire supply chain at this point. While this will drive retailers to look for alternative low-cost manufacturers from other countries, China does have a huge capacity and infrastructure while other countries may not be able to meet the needs and scale of the US importers.

Margin erosion is likely where the level of competition in the market limits the ability of retailers to pass on price increases and this will be devastating for a retail industry under so much pressure already. Brands that are in high demand are in a better position to pass on the higher costs from these tariffs to consumers.



Looking at small businesses that make up 99.7% of employer companies and 48% of the private workforce, tariffs could have massive consequences in terms of employment, wages, growth and consumer pricing. The ripple effect of the trade war impacts every business and sometimes the impact is much more pronounced for smaller operations that have only a small buying power in the supply chain and have no leverage to negotiate better pricing or spread price increases over time to soften the blow.

There are several things a smaller business or retailer needs to keep in mind throughout this trade war. It's important to get good advice from professionals and from key business partners. Business owners should take proactive action to control all expenses so that price increases can be offset by savings where they do have more control. It is important for businesses to understand their pricing and that of their competitors. In some cases, a price increase will be in order or mandatory, although there will be others where it is better to keep prices in check and reduce the margin or offset the higher costs with savings elsewhere.



Managing inventory efficiently can give retailers the competitive edge they need to navigate these turbulent times. The real impact of tariffs is never felt in full until years after implementation, for those retailers worried about cost increases caused by the tariffs, now is the time to act. Ultimately corporations don't pay taxes, consumers do. This impacts the final customer. The customer is the one who pays. No one wins with all these tariffs, not the importer, the retailer or the customer.

### **About the Author**

Elias Amash, President of GRIP, is an industry veteran with more than 20 years of experience in global sourcing, manufacturing, distribution, retail merchandising, fulfillment, marketing, technology, and operations. He is a trusted partner to hundreds of retailers and has "leveled up" the industry with GRIP's undying commitment to offering only the highest levels of service to its customers. Amash has recently published his fourth business book, Retail Survival, Who Lives, Who Dies and Why, which is available on Amazon. He is also the author of *The Future of Retail*, *Importing from China: The*

Good, The Bad, and The Ugly, and 101 Bright Ideas: Winning Tactics to Increase Retail Sales. You can download these other books at [www.whygrip.com](http://www.whygrip.com).

### **About GRIP**

GRIP was incorporated by Charles Amash in 1980 and has grown into one of the nation's top suppliers of innovative products to the retail industry. Located just south of Grand Rapids, Michigan, GRIP features a 200,000 sq ft state of the art warehouse facility including a 2,000 sq ft product showroom. GRIP carries a product line of over 1,000 specialty hand tools, automotive, cargo control, Goodyear Air hose, LED lighting, Magnetics, outdoors, household items, and general merchandise. GRIP has a proven track record of excellence in supplying retail clients with innovative products, timely fulfillment, and world-class customer support. At GRIP, everything is about earning your business...one customer at a time. It's about building relationships and fostering business partnerships that will last long into the future. Our goal is to have Customers for Life. The future at GRIP is exciting and we're hoping that you can be a part of it as one of our many Customers for Life. Learn more at [www.whygrip.com](http://www.whygrip.com) and [www.gripontools.net](http://www.gripontools.net).