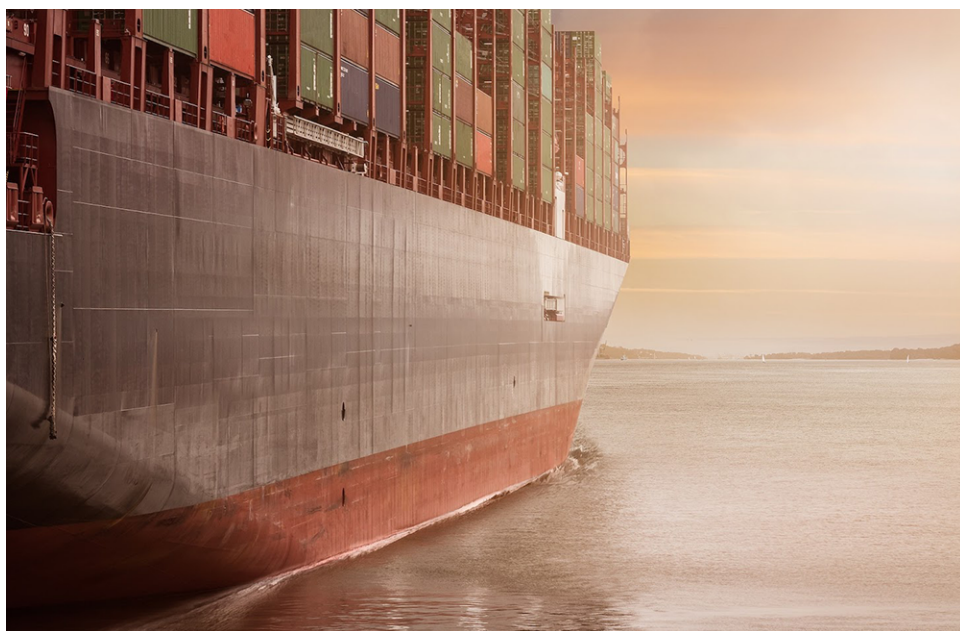




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3 FRACTURES I SEE IN THE GLOBAL SUPPLY CHAIN THAT

Written by [admin](#) / on February 26, 2021

Steve Jobs once said, “Simple can be harder than complex. You have to work hard to get your thinking clean to make it simple.” The reason that large import and export deals are so complex is that each party has numerous details to manage. And the bigger the deal, typically the more complex it is.

Now add a global pandemic to an already complex industry, and it’s easy to understand why the global supply chain’s foundation is being put to the test like never before. As someone with two decades of international deals under my belt, I have seen big wins and losses. More so now than ever I see firsthand where the cracks are coming from. I have outlined three fractures to watch, as they are real problems that impact real deals, with real money at stake.

1. Disloyalty and greed makes the market drop

Ideally, in imports and exports, sellers make their profits, brokers make their fees, and buyers make their money on the resale. It’s a system that has worked for centuries. The problem starts when one side takes the profits from the other. When this happens, it’s usually fueled by greed and as a result, the system starts to fail and trust falters. When sellers, buyers, and brokers lose trust in each other, it weakens more than their relationships. Over the last year, in a world impacted by a global pandemic, I have seen buyers circumventing their brokers. I have heard clearly that sellers are not being 100% loyal to their brokers. And I’ve heard of some top brokers who have started working directly with

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fairly. It may happen with a deal here or there, but it sets up a negative feedback loop that ends up hurting all parties. This lack of loyalty can quickly become a major problem for imports and exports if the status quo does not change.

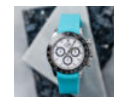
We have to assume that sellers will always ask for the highest price they can get. The minute a seller works directly with the buyers, they might find it tempting to bypass the broker cost, leaving more room for negotiations. If that happens, then it could impact future deals. It could cause other sellers brought by other brokers to not be able to sell with the margins they need. Brokers will not be able to go back to their buyers if those same buyers start working directly with sellers. And the seller might again lower the cost, creating more market drop. So what do you do? You build trust over time, and always make sure to follow proper protocol when it comes to brokers, intermediaries, sellers, and buyers. You follow the system that works. If you become known as someone who will sidestep others on your way to earning a commission, then people won't want to continue doing business with you.

2. The devil is in the details

Problems occur when there is a lack of proper management. When inexperienced brokers decide that they will enter the import and export markets, they are likely to not know all the details. They might know people with products and those who are looking for deal flow, but they fail to realize that just because someone says they are a buyer, does not mean they have the funds to do so. I have seen people present sellers who are not sellers. Examples of this and other problems are common in the many PPE deals during the pandemic that blew up and never closed.

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details that matter. I have even seen a newbie broker think that they can cut costs by trying to jump an intermediary only to find out that this single act is what blew up the whole deal. I don't need to remind anyone that 100% of a dead deal is zero commissions for everyone.

3. Know your role and stay in your lane

To help you understand who plays what role in a transaction, here is a breakdown of what sellers, brokers, and buyers should know.

Seller – As a seller, you negotiate prices and close deals with the factories. You must ensure the contract gets to closing, and ensure the money is routed to the right places. Following this, you are responsible for the logistics of moving the inventory from the warehouse to the port in the country of origin. Then you deal with the SGS, an international inspection agency, only to then move the goods to another port. And after the goods are on the water and en route to the U.S., you still need to clear customs. Once cleared, the goods arrive at the warehouse where you account for hundreds of thousands of units. Finally, once you pay the warehouse fees and button-up the final logistics, your job is done.

Brokers – As the broker, you are responsible for putting the product in the market, saving the seller time to build the connections needed to close million and billion-dollar deals. You are less concerned with logistics, and more involved in networking and relationships. Brokers make sure that products are delivered on time, and that the communication of product details is clear to the end buyer. Brokers must make sure the

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after the deal closes. As the broker, you also use your people skills to handle all complaints and venting about products and timelines for deals, which is why you love quality products.

Buyers – As the buyer, you source the products you need, scope good deals, manage logistics, and produce the funds for the goods. You focus on overcoming problems, managing expectations, and working on your next buying budget. For you, each new relationship is another opportunity to get one step closer to your next deal. You have to make sure they have the funds available if they want to participate in a deal. When it comes to wire transfer time, if the funds are not available right away, you will lose the deal. Smart buyers, who represent government agencies and hospitals, for example, need to understand that in today's marketplace, they should avoid spot buys. Spot buys call for full payment upfront, usually no samples, and there is always a rush to close the deal. I advise buyers to seek a product line that they can buy consistently and not as a one-off purchase. This allows for agencies to get samples, ensure the products are the right ones, and to create smaller shipments, which will help buyers manage their cash flow.

The more you know about all the roles, the more you can maintain responsibility for the details that are relevant to you. The key to learning is to work with people who have the depth of experience in their lane.

4. Immature markets have growing pains

A new industry like PPE is growing due to a global demand to fight COVID-19, and as a result, it is constantly growing. These products are in such demand that goods are traveling by water,

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with the rapid expansion of so many people trying to get involved in the PPE space, the more chances there have been for unscrupulous players and scammers to try to take advantage of others. Unfortunately, I know about others who have been scammed because they didn't fully understand how trading works. The thing to remember about growth is that it also comes with growing pains. So buyer, broker, and seller beware.

In conclusion

Everyone on the supply chain has a role to play. When everyone stays in their lane and fulfills their roles, follows the rules, and guides their behavior with integrity, then imports and exports will continue to be a major driver of a healthy global economic system.

If the system starts to crack, and people start to bypass the known procedures, then consequences will arise. If profits are not shared, then people will be cut from deals and it will trickle down the supply chain, causing more strife. If there is no trust between parties, then how can we trust that deals will close? The key is to respect each other and work with integrity while building relationships and earning trust. Own your mistakes. Know your responsibilities in a deal and fulfill them. Though I see fractures in the foundation of the global supply chain, I also know that together we can fix it and make it better than ever.

If you get caught in a deal going sideways or need advice on how to navigate the stressful world of imports and exports, connect with me on [LinkedIn](#), and I'll see if I can help.

Published February 26th, 2021

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