

# What a Trade War Could Mean for US Retailers

Article

**S**o far, China and the US have matched each other tit-for-tat in the growing trade war. Both countries have imposed tariffs on \$50 billion worth of goods, with the US threatening an additional \$200 billion and China another \$60 billion on 5,207 products.

The **US imports more from China that we export**, though. According to the **US Census Bureau** and **US Bureau of Economic Analysis**, 18% of US imports come from China while 8% of US exports go to China.

Here are three areas that could be affected by a trade war.

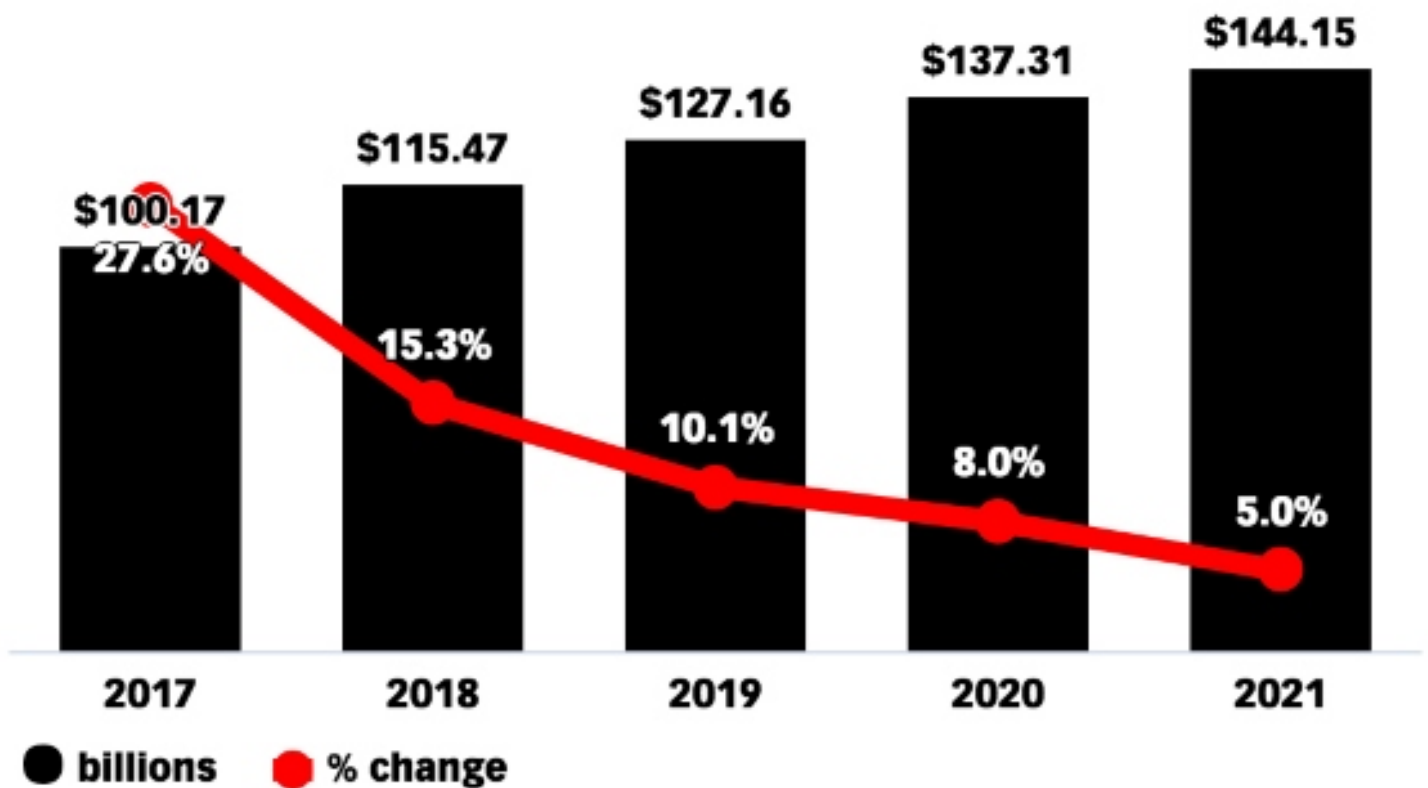
## Cross-Border Ecommerce

Stalled negotiations are depreciating the yuan against the US dollar even further, which will likely drive up prices of US goods for Chinese consumers. As a result, these shoppers will look for cheaper alternatives elsewhere.

An increasing number of digital buyers in China are buying from overseas retailers. eMarketer pegs this figure at 24.0% in 2018. We also forecast cross-border retail ecommerce sales in China to reach \$115.47 in 2018, up 15.3% from last year when they broke the \$100 billion barrier.

# Cross-Border Retail Ecommerce Sales

China, 2017-2021



Source: eMarketer, November 2017

www.eMarketer.com

This total figure is for any foreign online purchases, not specifically from the US, but according to multiple studies the US is the most popular country among cross-border buyers in China (and worldwide). In an October 2017 survey by [International Post Corporation](#), over one-quarter (26%) of Chinese cross-border buyers had purchased from a US site.

## Groceries

While our tariffs on Chinese goods are primarily focused on manufacturing and raw materials, China's encompass many agricultural products like seafood, meat, dairy products, rice and

vegetables. Groceries would surely take a hit.

This matters beyond pure exports since US companies have set their sites on China's online grocery business. Walmart could see immediate effects. Through its partnership (and 10% stake) with JD.com, **Walmart began selling online groceries in China last year** with a 1-hour delivery promise. Both companies have been heavily investing in logistics firm Dada-JD Daojia to expand delivery capabilities.

**Kroger** recently began **selling organic products and supplements through China's Tmall** to entice consumers wary about the authenticity of domestic goods. Food and beverages (specifically infant formula and vitamins) is **one of the leading categories bought cross-border in China**.

## Restaurants

Tariffs on food would also affect US restaurant chains in China. There are far more KFCs in China than Walmarts. Supply chains aren't transparent--it's not always easy to determine whether products are sourced in China, other Asian countries or the US--but Domino's Pizza CEO, Richard Allison, **expressed concern on CNBC** Friday for US dairy farmers and international franchisees. "...we do worry about some of the unintended consequences for them along the way."

On the other hand, prices could go down at US restaurants. **Plate IQ** analyzed food categories subject to tariffs using a year's worth of restaurant invoices. Using pork as an example, that industry has been hit hard by China, which imposed 25% tariffs in April and an additional 25% in July. This will lead to a surplus in the US, decreasing prices overall by 2% to 3% and bacon by 7.7%, leading to a reduction in costs of \$14,867,829 from March 2018 to December 2018.