

# Retail – Case Study

A retail goods importer, operating on high volume – low margin, was aware of the profitability impact from relatively small foreign exchange market fluctuations, but lacked the headcount, tools, and systems to ensure proactive oversight and hedging policy compliance.

## Their main challenges were:

- Low operating margins in a very fast-moving retail market segment meant profitability was highly sensitive to foreign exchange fluctuations.
- The business had therefore aligned its risk appetite closely to its budgeted foreign exchange rates.
- The business also lacked headcount, time to monitor markets and execute appropriate hedging to protect its budget rate on an ongoing basis.

## Rochford advised and implemented the following strategies:

- Instigated a budget rate-setting process that balanced current market levels, existing hedging and realistic appraisal of medium-term trading conditions.
- Provided ongoing recommendations on market order levels, product mix and FX hedge book restructuring.
- Continued to monitor and advise on indirect costing considerations e.g. the effect of CNY depreciation and potential of renegotiating supply contracts.

## With our support:

Rochford acted as their 'eyes and ears' on the market to actively identify and communicate event risk, key market levels and trends. With our support, the FX budget rates became achievable and realistic, without sacrificing competitiveness. Our proactive FX risk advice and consistent application of policy parameters shielded the business from market shocks and reactive 'kneejerk' hedging decisions.

## Testimonial

*"We're a fashion retailer, wholesaler and distributor with brands like Sandler. We've been working with Rochford for more than five years. We traditionally purchased US\$ through the banks, and we found out they weren't doing the right job for us. We worked with Rochford to establish our FX policies, and forecasting advice for the future, particularly where the US dollar was going. We have no problems recommending Rochford within our industry and wider. They've done a fantastic job for us, much more than what we were getting from the Banks."*