But now the trading facility had to convert the excess inventory into cash. The goods had been sitting in a domestic warehouse for more than a year, so the obvious answer was export. And here is where the vast network of retailer contacts is of major strategic advantage. The trading facility merely exploited this advantage and within two weeks off-loaded the inventory to an off-shore buyer not only at cost, but at a profit! (slides #4 and #5).

While the transaction's concept is not new, the local application certainly is. And given the success of this first venture, the retailer is now embarked on employing the same "profit/cost reduction via-trading" formula to a variety of other corporate cost centers.

Testing the Hypothesis: Retailer as "Associate Exporter"

In the second test of the hypothesis, the same retailer also had twin objectives. This time to diversify its supply base and to enter new markets.

The players in this transaction are a Canadian high-tech exporter, a newly industrialized country, the retailer with its trading facility, and other non-competitive retailers (slide #6). The transaction is of the offset variety such as the one mentioned earlier involving the Spar Aerospace Co.

In this transaction the high tech exporter sells equipment to the newly industrialized country and, luckily enough, gets paid in full in hard currency, but incurs an obligation to generate x% of the contract in that