

Volatility Exposure Index™

Australian Retail

5-minute self-assessment to understand your exposure to margin pressure, stock risk and customer demand shifts

What is this?

The **Exposure (Disruption) Index** is used by leading global consulting firms such as McKinsey & Company, Kearney and AlixPartners to assess how external conditions impact business performance.

The **Volatility Exposure Index™** has been **adapted for Australian retail by Positive Leaders Group**, reflecting current conditions including:

- * imported inventory and USD exposure
- * rising freight, fuel and energy costs
- * workforce and operational pressures
- * cost of living impacts on customers
- * broader economic slowdown and demand shifts

This tool provides a **clear, structured view of where pressure may emerge across both cost and customer behaviour**, and where there are opportunities to respond early.

How to Use This Tool

- * Score each area from 1 (low exposure) to 5 (higher exposure)
- * Answer practically based on your current business
- * Add your total score at the end

1 Supplier Concentration (Import Exposure)

If overseas supply is disrupted, what happens?

- 1 = Mostly local supply
- 2 = Some imports, easily replaced
- 3 = Moderate reliance on imports
- 4 = High reliance on imports
- 5 = Critical dependence on overseas suppliers

SCORE _____

2 Freight & Distribution Exposure (20%+ Test)

If freight and distribution costs increase by 20%+, what happens?

- 1 = Minimal impact
- 2 = Manageable impact
- 3 = Noticeable margin pressure
- 4 = Significant margin impact
- 5 = Material impact on profitability

SCORE _____

3 Energy & Operating Costs

If energy costs rise significantly, what happens to your operations?

- 1 = Minimal impact
- 2 = Low impact
- 3 = Moderate pressure
- 4 = High exposure
- 5 = Significant cost pressure

SCORE _____

4 Currency Exposure (USD Risk)

If the USD strengthens, what happens to your landed cost?

- 1 = Minimal impact
- 2 = Low exposure
- 3 = Moderate exposure
- 4 = High exposure
- 5 = Significant cost increase

Context: Global trade, including oil, is priced in USD. Movements in the USD and energy markets often flow through directly into input and freight costs.

SCORE _____

5 Margin Compression Risk

If costs increase, what happens to your margin?

- 1 = Margin protected
- 2 = Minor impact
- 3 = Moderate pressure
- 4 = Significant compression
- 5 = Margin erosion likely

SCORE _____

6 Pricing Flexibility (Customer Response)

If you increase prices, what happens to sales?

- 1 = Minimal impact
- 2 = Low sensitivity
- 3 = Some resistance
- 4 = Significant resistance
- 5 = Immediate drop in demand

SCORE _____

7 Inventory Availability (Stock Risk)

If stock is delayed or unavailable, what happens?

- 1 = Minimal impact
- 2 = Substitution possible
- 3 = Moderate disruption
- 4 = Significant impact on sales
- 5 = Loss of customers

SCORE _____

8 Workforce Stability

If fuel costs rise or availability tightens, what happens to staffing?

- 1 = Stable workforce
- 2 = Low exposure
- 3 = Moderate exposure
- 4 = High exposure
- 5 = Significant disruption

SCORE _____

9 Customer Demand Exposure (Cost of Living + Downturn)

If customer spending tightens, what happens?

- 1 = Demand stable
- 2 = Minor changes
- 3 = Reduced basket size
- 4 = Trade-down behaviour
- 5 = Significant drop in demand

SCORE _____

10 Regional Exposure (Stores & Distribution)

If transport to regional locations becomes more expensive or unreliable, what happens?

- 1 = Metro-based
- 2 = Limited regional exposure
- 3 = Moderate exposure
- 4 = Significant exposure
- 5 = Highly dependent on regional network

SCORE _____

11 Product Shelf Life & Stock Flexibility

If you needed to hold more stock, what would happen?

- 1 = High flexibility
- 2 = Good flexibility
- 3 = Moderate limitations
- 4 = Short shelf life constraints
- 5 = Highly constrained

SCORE _____

12 Promotional & Commercial Flexibility

If conditions change, how easily can you adjust pricing, promotions or product mix?

- 1 = Highly flexible
- 2 = Good flexibility
- 3 = Moderate flexibility
- 4 = Limited flexibility
- 5 = Very constrained

SCORE _____

Total Score:

_____ /60

Your Exposure Rating

Score	Level	Interpretation
12-24	Low	Well-positioned
25-36	Moderate	Some areas to monitor
37-48	High	Pressure building
49-60	Elevate	Prioritise action

Optional: 0-100 Exposure Index

Your Priority Focus Areas

Circle your top 3 highest scores:

1.
2.
3.

These are the areas where:

- * small changes can reduce pressure quickly
- * focused planning will have the greatest impact

Leadership Note

This index is designed to provide clarity across both **cost and customer dynamics**.

In retail, performance is shaped by two forces:

- * what it costs to operate
- * how customers respond

Understanding both allows you to:

- * protect margin
- * maintain momentum
- * adapt early as conditions shift

Many of the most effective responses we are seeing are not large changes, but **timely, well-considered adjustments**.

Developed by **Positive
Leaders Group**