ECommerce Opportunities to Explore During a Difficult Trade Environment

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WE DELIVER PASSION

AGENDA

- ECommerce Reality
- US Customs and eCommerce
- The eCommerce Business Model
- The Paradigm Shift for eCommerce Sucess
- The Benefits of a new eCommerce Approach

The eCommerce Environment

21.96B
# of monthly visits to online retail ecommerce sites

101%
Parcel volume growth for Amazon, YoY

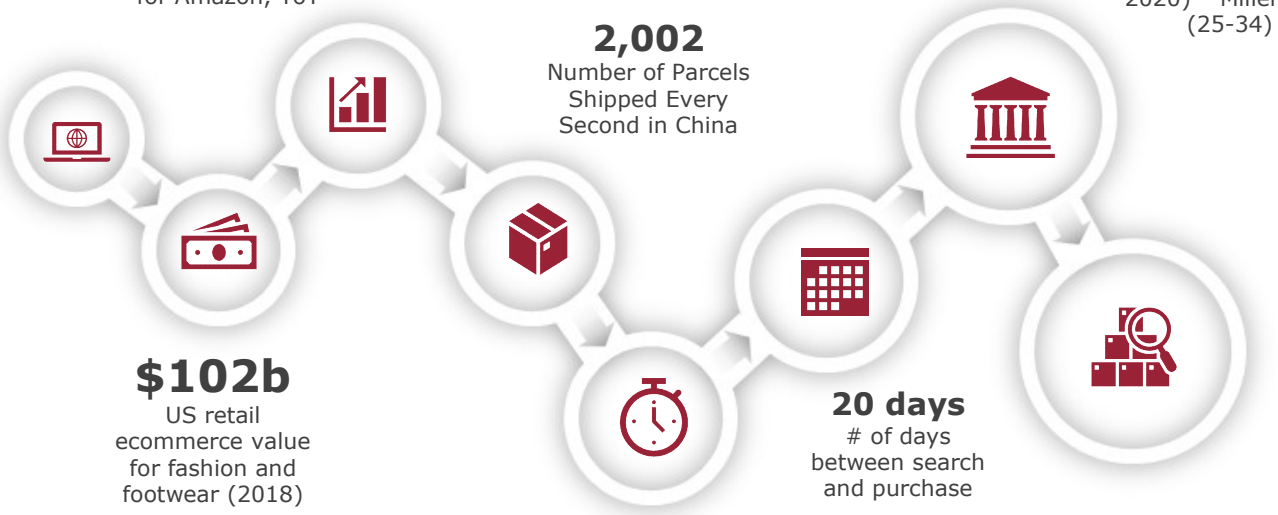
$102b
US retail ecommerce value for fashion and footwear (2018)

2,002
Number of Parcels Shipped Every Second in China

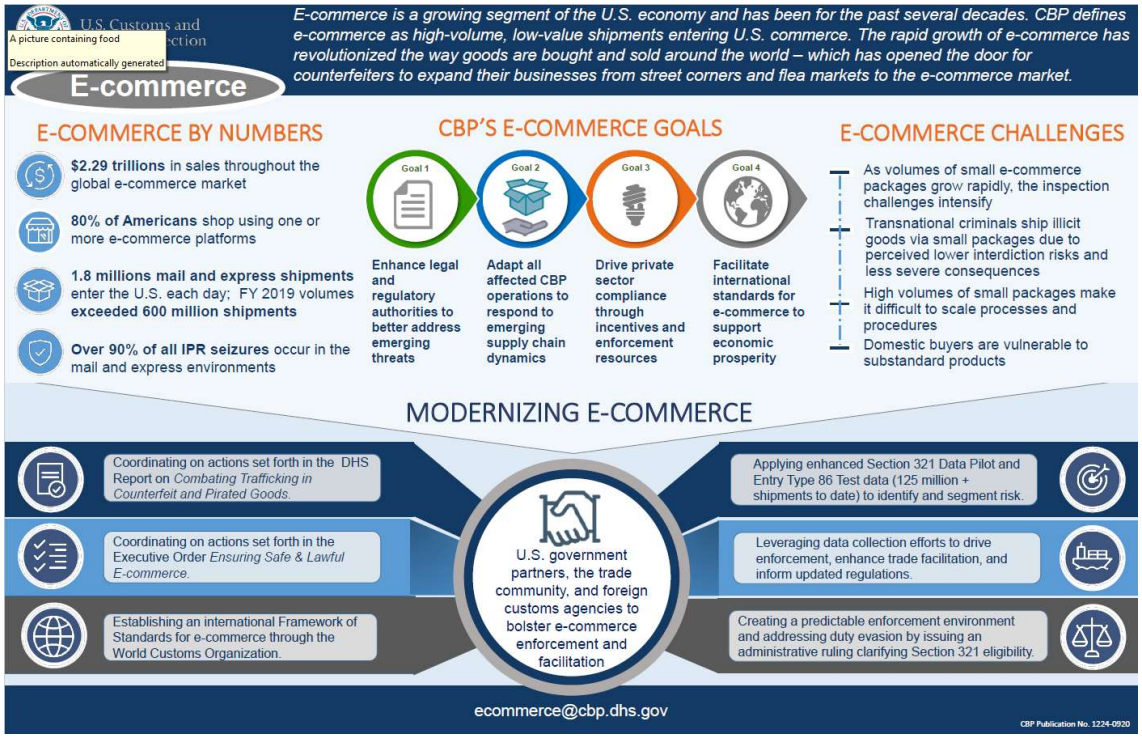
20 days
# of days between search and purchase

20.2%
Largest group of digital buyers (Feb, 2020) – Millennials (25-34)

$101.96
Average order value of US online shopping orders (Q2, 2019)



CBP and eCommerce



US Customs eCommerce Approved Entry Processing

§ 321 Data Manifest Entry

- ✓ Value cannot exceed $800 USD per consignee, per day
- ✓ Consignee name and address required
- ✓ HTS classification NOT required
- ✓ PGA regulated products not permitted
- ✓ Available for air, truck, and ocean modes
- ✓ Manifest transmitted to US Customs prior to aircraft departure
- ✓ Content descriptions must be descriptive and specific, not vague and general

ACE Entry Type 86 (ET86)

- ✓ Value cannot exceed $800 USD per consignee, per day
- ✓ Consignee name and address required
- ✓ HTS classification required
- ✓ PGA merchandise eligible for disclaim can be cleared
- ✓ Available for any mode (air, ocean, truck)
- ✓ Entries transmitted to US Customs upon "wheels up"
- ✓ Entry must be transmitted via ABI

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The Traditional eCommerce Model for Supply Chain and Entry

Origin: China Distribution
ECommerce Orders
Value: US$2,075

Entered Value: US$2,075
Duty Rate: 18%
301 Rate: 30%
Total Duty Cost: US$996.00

Final Mile Carrier: USPS, FedEx, UPS, DHL
Destination: US Home Address
Landed Cost: $61.00

Traditional Process for eCommerce

- Consolidation at origin, deconsolidation at destination to reduce cost
- Duties paid on all shipments regardless if eCommerce or fulfillment
- Landed cost must include origin charges, international freight charges, warehouse charges, inventory cost, duty and 301 costs, and delivery charges
- Delays possible due to congestion, DC billing cycles, clearance issues

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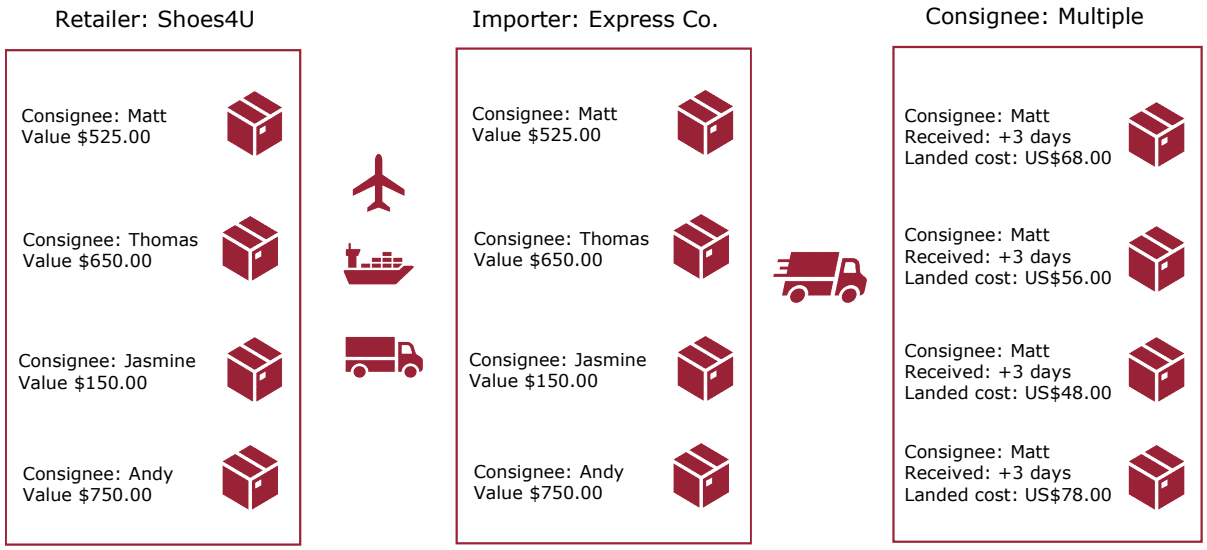
The Express eCommerce Model for Supply Chain and Entry



Origin: China Distribution
ECommerce Orders
Value: US$2,075

Entered Value: US$2,075
Duty Rate: 0%
301 Rate: 0%
Total Duty Cost: US$0.00
Entry via §321 or ET86

Final Mile Carrier: USPS, FedEx, UPS, DHL
Destination: US Home Address
Landed Cost: $250.00

Express Process for eCommerce

- Shipments may be tendered for consignee delivery and charged per shipment
- Entries are completed by shipment using express methods
- Landed cost is inflated by express international freight cost from origin door to consignee door; consolidation benefits retained by express provider

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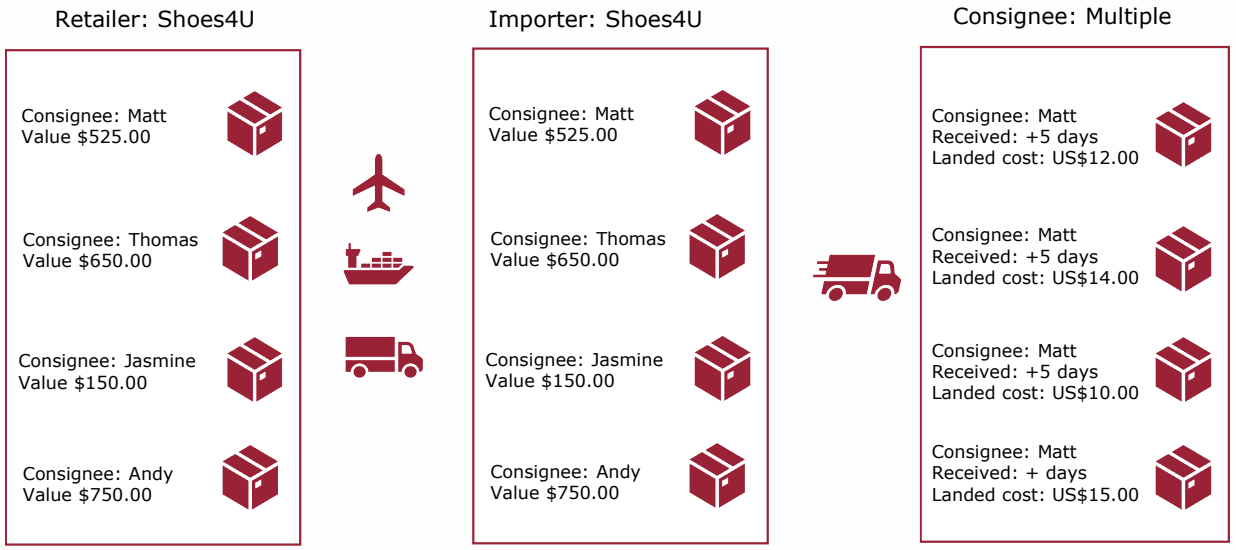
The Apex eCommerce Model for Supply Chain and Entry



Origin: China Distribution
ECommerce Orders
Value: US$2,075

Entered Value: US$2,075
Duty Rate: 0%
301 Rate: 0%
Total Duty Cost: US$0.00
Entry via §321 or ET86

Final Mile Carrier: USPS, FedEx, UPS, DHL
Destination: US Home Address
Landed Cost: US$51.00

Apex Process for eCommerce

- Shipments tendered for consolidation for importer
- Entries are completed by shipment using express methods
- Landed cost is reduced by exemption from duty and 301 duty due to value and consignee; importer benefits form consolidated international freight and use of existing domestic delivery pricing rather than express pricing from international origin

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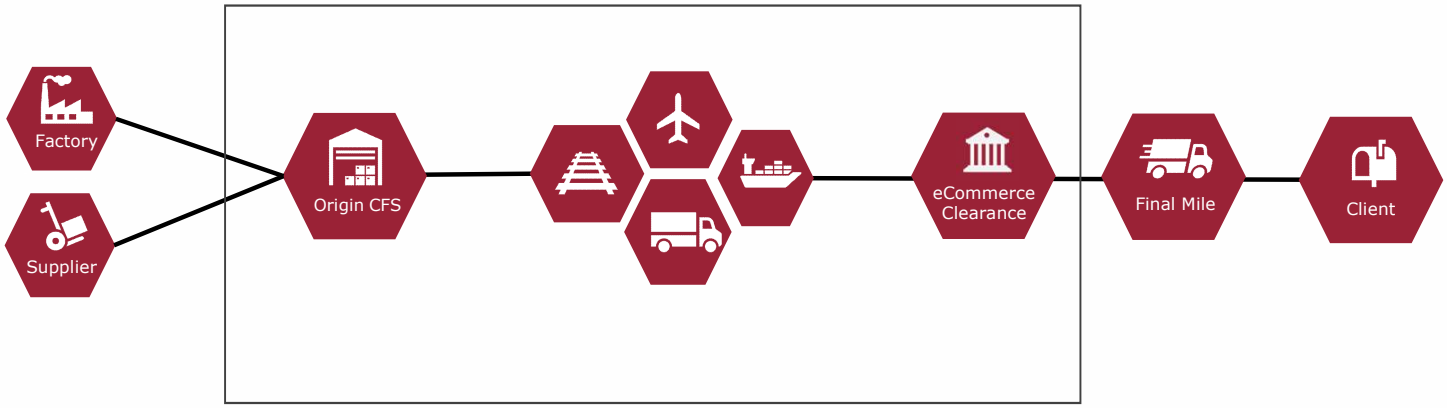
The eCommerce Paradigm Shift to Import Strategy



Business Process Paradigm Shift

- **Inventory** is reduced by fulfilling orders directly from origin
  - ✓ *No distribution handling is required at destination*
- **Global Transit** orders consolidated for shipping
  - ✓ *Consolidated pricing is realized for all shipments*
- **Entry** is completed for each de minimus shipment duty free
  - ✓ *One filing covers hundreds of orders*
- **Delivery** is completed using existing postal partners
  - ✓ *Warehouse handling is eliminated for all orders*

Important Factors for Success

- **Origin expertise familiar with consolidation processing**
  - ✓ *Visibility, API manifest capability, and classification are critical*
- **Logistics managed "carry and clear" or multiple provider**
  - ✓ *Single use providers are not required for transit and clearance*
- **eCommerce Clearance expertise and engagement**
  - ✓ *Entry expertise is critical to remediate complications*
- **Learn the language of ecommerce and know the rules that apply**
  - ✓ B2B, B2C, FBA, FBM, ECCF, et86, §321, VMI, Xborder Fulfillment

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The Benefits of an eCommerce Customs Strategy

Duty Elimination

US Customs does not collect duty, taxes, fees or additional duties on § 321 manifest and ET86 Entries

- Duty Free
- MPF / HMF free
- 301 duty elimination
- No Customs Bond

Inventory Reduction

Order fulfillment directly from origin eliminates cross border distribution and domestic inventory costs and management

- Product shipped when ordered
- Eliminates storing unsold product and parts not ordered

Expense Reduction

Inventory reductions reduce operating costs including warehouse expenses, taxes, and labor for import product

- Warehouse cost
- Facilities cost
- Sales tax cost
- Inventory taxes
- Real estate tax
- Labor & Benefits

Transit Improvement

Ecommerce shipment and clearance reduces transit from shipping location at origin to client door delivery

- § Section 321 **5-7 days**
- Type 86 Entry **3-5 days**

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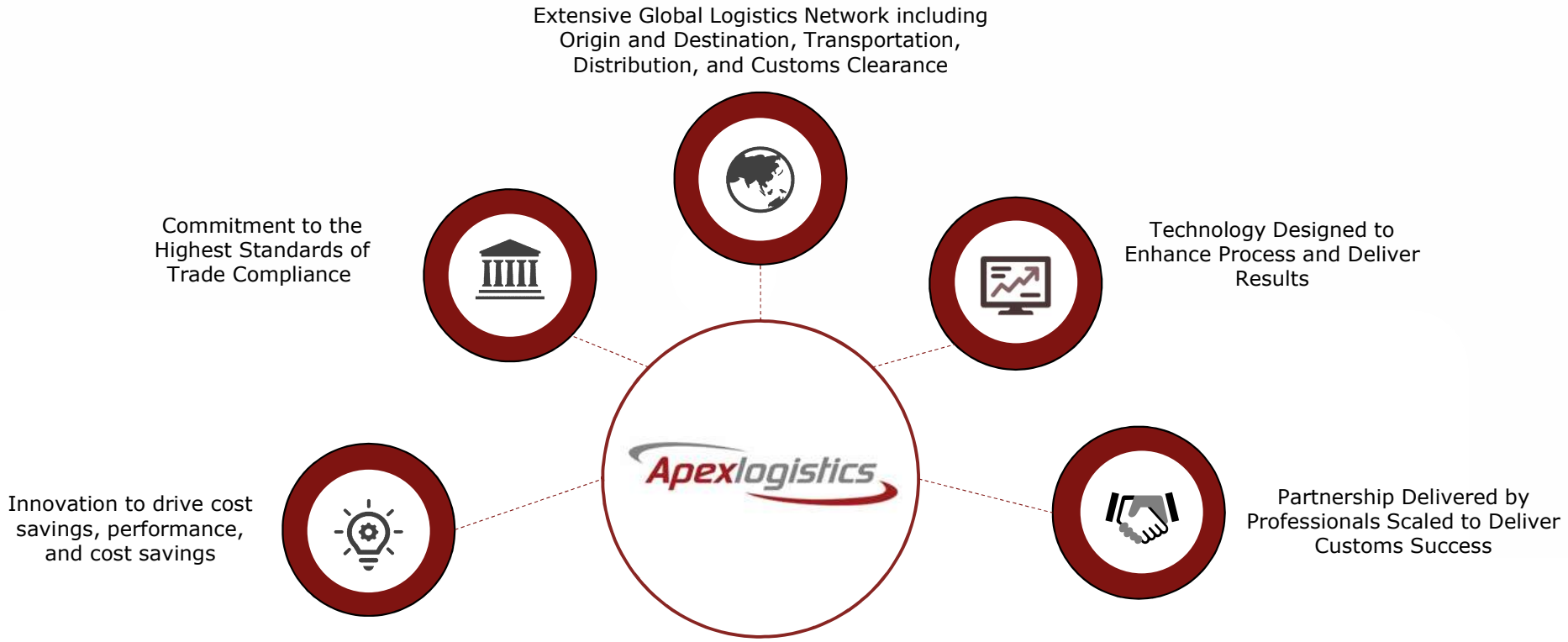
Thank You!



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