



# MANAGING SUPPLY CHAINS IN AN E-COMMERCE WORLD

FTDC Presentation October 22, 2018







# TRENDS IN ORDER FULFILLMENT

Courtesy of Supply Chain Dive





# TRENDS IN ORDER FULFILLMENT

- Fulfillment is
  - Marketing
  - Operations
  - Customer Service
- Major deciding factors by consumers:
  - Shipping cost
  - Speed

# TREND 1 – DIGITAL MARKETING

- New methods of discovery and social media play a huge role
  - One post can go viral and lead to overnight success
- Immense number of platforms for people to sell on
  - Easier to find you
  - Cost to set up can be prohibitive, however
  - Many allow you to set up in multiple countries
- Small companies or start-ups can play with the big kids



# TREND 2 – OMNI CHANNEL

- Another way to meet consumer demands of “fast and free”
- Single e-com order of 5 items can come from 5 different locations
- Stocking stores has become increasingly difficult
- Retailers are collectively losing out on \$1 Trillion due to stock outs
  - Consumers experience stock outs on 1 in 3 shopping trips
- Better vendor management & incentives can help, but digital tools have a role to play
  - Single enterprise order management for better inventory control
  - Shipping optimization
  - Lowering SKU's



Inventory does not need  
to be abundant if it is in  
the right place at the  
right time.



# TREND 3 – AUGMENTED REALITY

- Many companies involved in supply chain are moving towards augmented reality to fulfill orders more quickly
- DHL Supply Chain is expanding augmented reality glasses pilot
  - UK, Europe, US and Japan
  - Helps workers determine where goods are in warehouse and where to place in cart
- Forecast that 70% of facilities will be using augmented reality within 5 years
- Increased worker satisfaction



# TREND 4 – GOING GLOBAL

- Fast and free doesn't stop at the border
  - Consumers want it regardless of where it is coming from
- Canada is a natural market for US sellers
  - Close proximity
  - Shared language
  - Cultural similarities
- 83% of Canadians buy online internationally vs. 47% of Americans





# E-COMMERCE – WHAT DO WE KNOW?



# QUICK FACTS

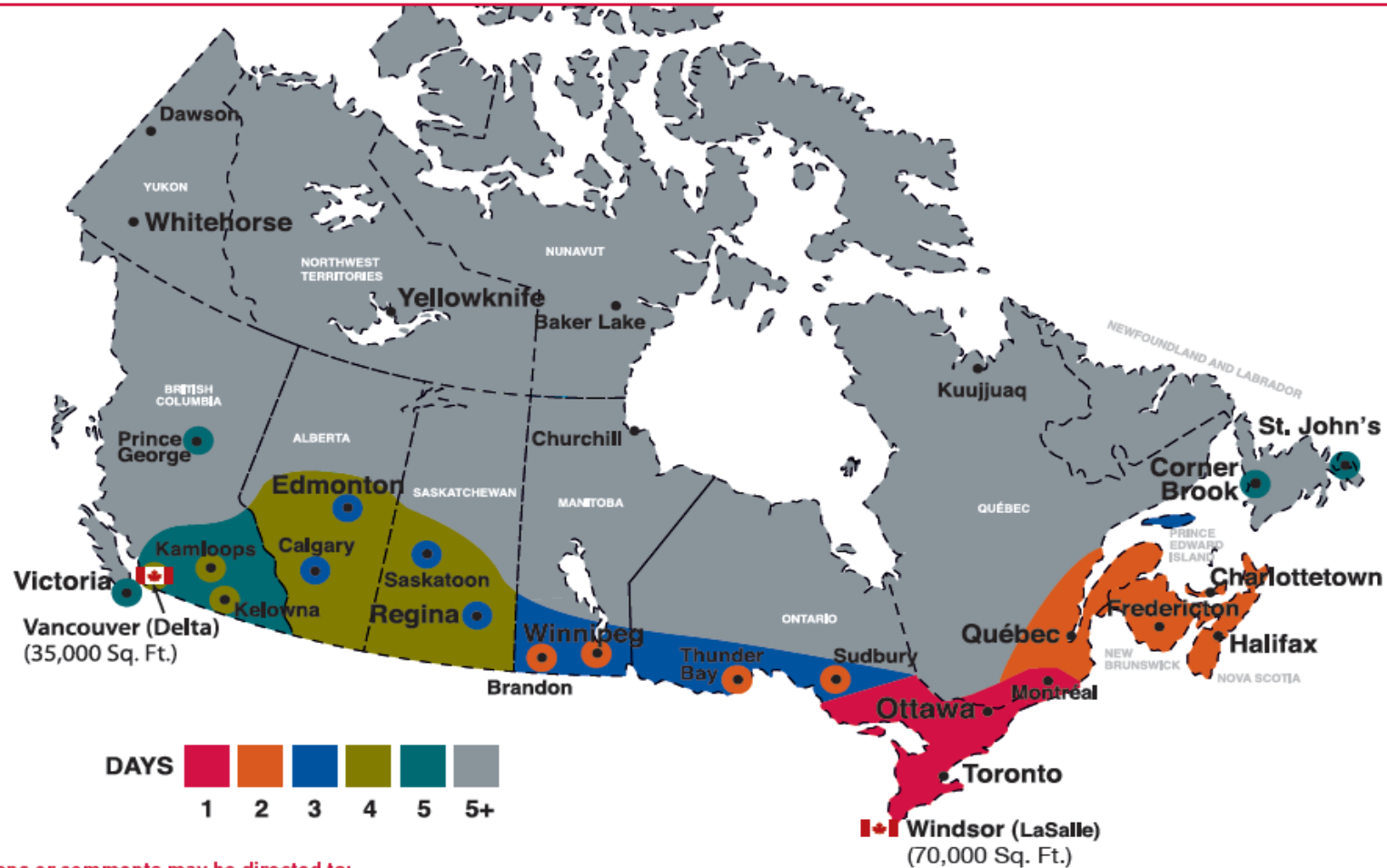
- 2017
  - US saw growth of 36%
  - International growth was 17%
- Marketplace sites accounted for 45% of sales
  - Amazon accounted for 80% of those sales
- 50% of Amazon's customers buy at least once a month
- Online retailers are falling short on shipping
  - Everyone wants fast shipping but don't want to pay for it

# MORE FACTS

- Canada has a lot of “beyond” points
  - Couriers are using interlining carriers for final mile deliveries
- More companies are turning to zone-skipping to lower costs



# Transit Times via Courier from Windsor, Ontario

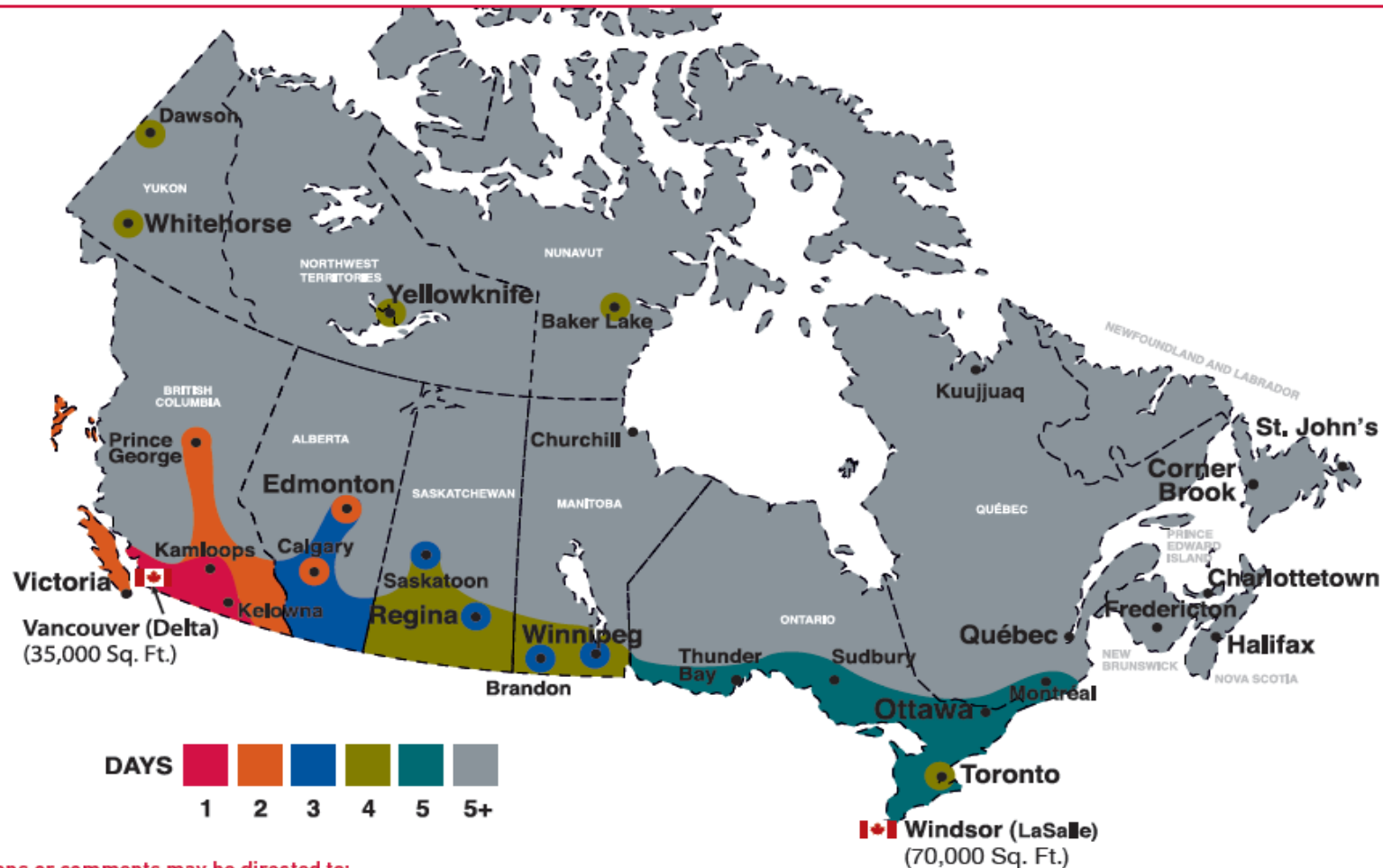


Questions or comments may be directed to:

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# Transit Times via Courier from Vancouver, British Columbia



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**B2C**

The NRI Advantage





# B2C AS AN NRI

- NRI = Non-Resident Importer
  - Does the country you are selling in allow NRI's?
- Pricing on website can be in currency of country you are selling in
  - Duty rates can be included
  - Show tax (if applicable) separate at check out
  - Show shipping separate at check out
- You may need to register for sales taxes



# B2C AS AN NRI

- Communication with broker is critical
  - Databases are ever-changing and evolving
  - An electronic connection is most foolproof
- Is duty included in the selling price?
  - How do you account for this at time of import?
  - There may be an additional step of duty refund application

# B2C AS AN NRI

- Set up process
  - Brokerage/freight services
    - Import account, tax registration
    - Domestic courier labelling
  - Integration with your website
    - Duty rates assigned
    - Exchange rate information
  - Integration with your accounting





# COST REDUCTION

Consolidations  
Zone skipping  
Pick/Pack  
Duty Drawback





# CONSOLIDATION

- All shipments destined for other countries can be consolidated
  - Single customs entry
  - Single international shipment for freight
    - Prevents expensive minimum charges
    - Packages are kept in tact longer
    - Single e-manifest
  - Transit time can be increased slightly
    - Labelling at origin or processing point
    - Consolidation point distance from customer

# ZONE SKIPPING

- All shipments destined for a single area are bundled together and sent as one
- Deconsolidated for local delivery
- Shipments held in tact longer
- Greatly reduces transportation costs

# PICK AND PACK OPERATION

- Great for high volume/high turnover
- Most cost effective when also mixed with B2B business
- Goods can be shipped direct from offshore
  - Lower declared value
  - Trade agreement advantage
- Warehouse location(s) are key
  - Where are your customers?
  - Where do your goods ship from/arrive to?
- Choose your partner wisely – it's a big investment!



# DUTY DRAWBACK

- Applicable on imported US goods
  - Exported in the same condition
  - 1313 (j)(1)
  - Notification of intent to file is required OR
  - Program drawback available
  - 99% of duty, MPF and HMF will be returned
  - Copy of foreign customs entry required
  - Detailed import reports for US required
  - Can go back 4 years
  - Lengthy turnaround for single drawback application

# DUTY DRAWBACK - CANADA

- Available on goods exported from Canada
- Available on goods destroyed in Canada
  - Under customs supervision
- Full duty drawback available
- Proof of import required
- Proof of export/destruction required
- 30-90 day turnaround





# REVERSE LOGISTICS





# REVERSE LOGISTICS

- Returns are inevitable
- Having a foreign address for returns:
  - Ensures long term customer satisfaction
  - Eliminates border hassles
  - Reduces costs in the long run
- Duty drawback may be applicable if returned to US or destroyed
- Consolidated US entries for returns

# CREDITS PROGRAM - CANADA

- Casual Refund Electronic Data Interchange System
  - Created to streamline refund process on casual shipments
  - Broker and importer (NRI) need to be approved
  - Statement appears on terms of shipping on website
- Return is validated
- Money is refunded to buyer by online retailer
- Broker files for a refund monthly – that goes back to IOR





# US E-COM FROM CANADA





# THINGS TO CONSIDER

- Goods can enter Canada in bond or consumption entry
  - Do you already store product in Canada?
  - Are they eligible for duty-free under an FTA?
- If US orders are less than \$800 – Section 321
  - Should be with carrier that can handle Section 321 goods
  - Consignee information is required
  - ACE information loaded
  - Canadian duty drawback eligible if not bonded

# MORE TO CONSIDER

- Each order is subject to scrutiny from US Customs
- Orders MUST be under \$800
- Order fulfillment costs may be higher
- Transit times
  - Most large warehouses are within 1-2 hours of the border
- Canada does not have port disruption at the same level as the US

# TO RECAP

- Things are changing on a global level
  - New trade agreements are coming into play
  - Tariffs are being added/changed/reduced
- Technology is playing a huge role
  - Augmented reality is coming
- Inventory control is critical
- Choice of business partners can make or break you



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**Thank you.**

