

FOOTWEAR TRADE DISTRIBUTION & CUSTOMS



FTDC 2019 CONFERENCE

October 27–29 | The Renaissance | Long Beach

FDRA
FOOTWEAR DISTRIBUTORS AND RETAILERS OF AMERICA

Transmitting the Data & Information

**Optimized to Ship—ways to
get your packaging right-sized**

Ryan Gaither, International Sales Executive, BillerudKorsnäs



BILLERUDKORSNÄS

Thinking Inside the Box



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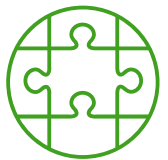
Net sales approx.

2.7
Billion USD

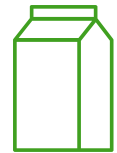


EMEA
Solna, Sweden
Americas
Portland, OR
Asia Pacific
China – Shenzhen

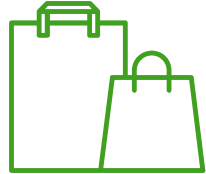
Business areas



Solutions



Board



Paper

First-class materials



Fluting



Liners



3D Paper



Cartonboard



Sack Paper



Liquid Packaging Board



Kraft Paper (Specialty)



Kraft Paper (Bags)



Kraft Paper (Medical)

Operating profit approx.

232.5

Million USD



4,400
Employees

Serving
2,800
OEM factories



- China
- Vietnam
- Indonesia
- Cambodia
- Bangladesh

70+
packaging
suppliers



187
Million
boxes delivered
in 2017

How much air are you
currently shipping?





➤ **Key objectives**

- Increase freight density
- More pairs of shoes per CBM/container
- Material reduction
- Reduce complexity for OEM factory
- Realize substantial cost savings in optimized freight



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Box price vs. box cost



There are savings across the supply chain



Supplier

- Reduced damage
- Reduced trucking to port



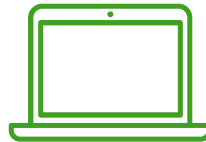
Origin operations

- Reduced container freight station costs



Carrier

- Reduced spend on ocean and air



Brokerage

- Reduced spend on brokerage due to fewer entries



Inbound transport

- Lowered trucking costs
- Reduced drayage cost



Distribution center

- Improved capacity due to fewer inbound receipts
- Reduce corrugate spend by increasing carton reuse



Outbound transport

- Reduced spend on outbound deliveries



Retail

- Improved back-room capacity
- Reduced handling

Getting down to work



Establish a baseline

Collect as much raw data as possible

(style, description, gender, size, annual volumes, current carton assignment, etc.)

Establish influential shoe styles,
sizes and fit parameters

Workflow

DC Visit

Compare

Design

Determine

Test

Develop

Review and measure as many shoes as possible

New data against original master list

New carton suite

New carton assignments to SKUs

Bring sample of new carton suite for fit test and brand approval

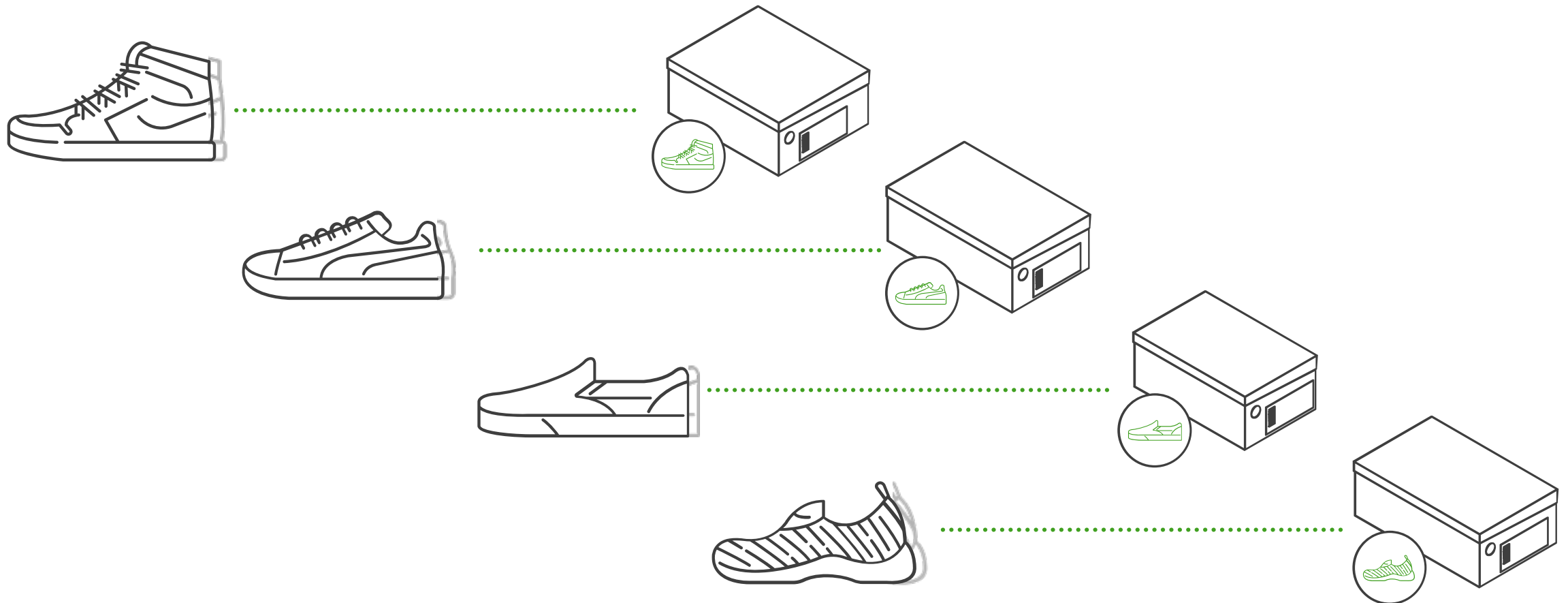
MOCs for new approved carton suite

One size does not fit all.



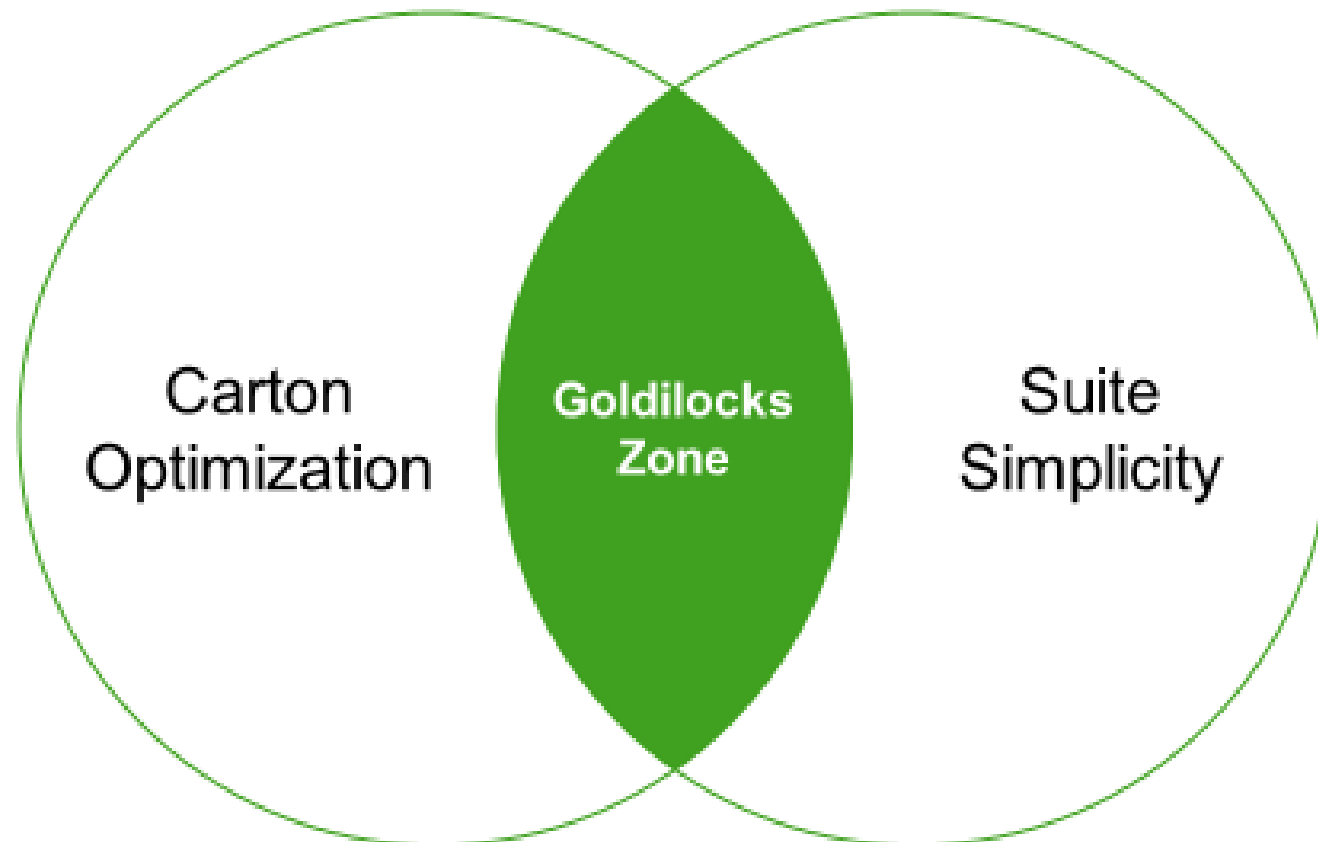
SKU to new carton assignments

New carton assignments are created and shared with Brand and OEM factories



SKU to new carton assignments

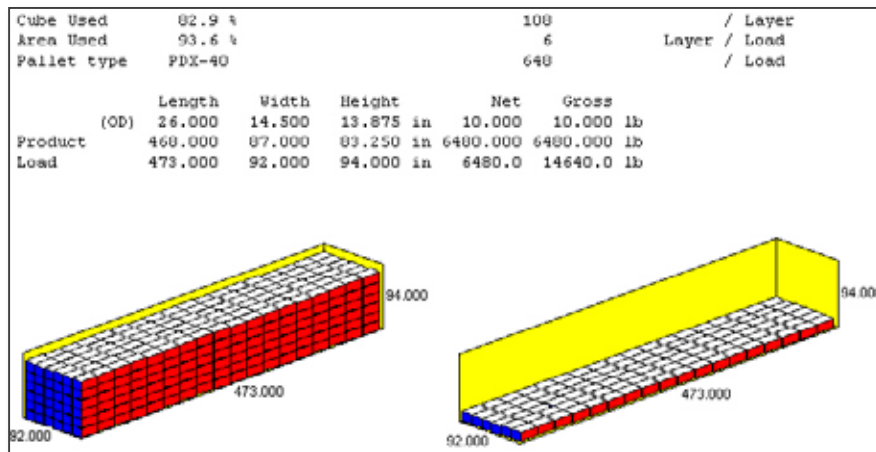
New carton assignments are created and shared with Brand and OEM factories





Cape load plans

Every new carton's updated MOC outside dimensions compared to previous MOC outside dimensions to show freight improvement

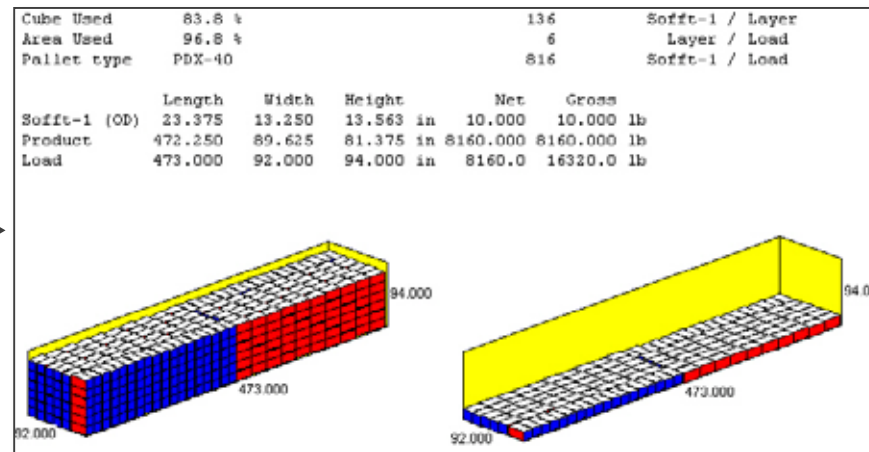


BEFORE:

12 units per carton

648 cartons per container

7,776 units per container

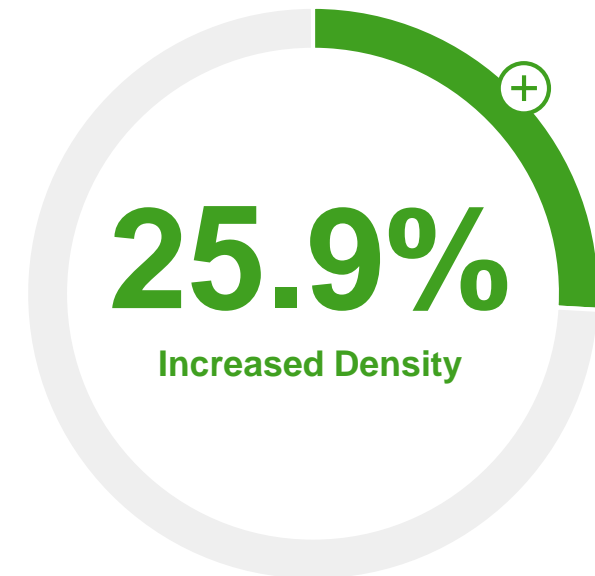


AFTER:

12 units per carton

816 cartons per container

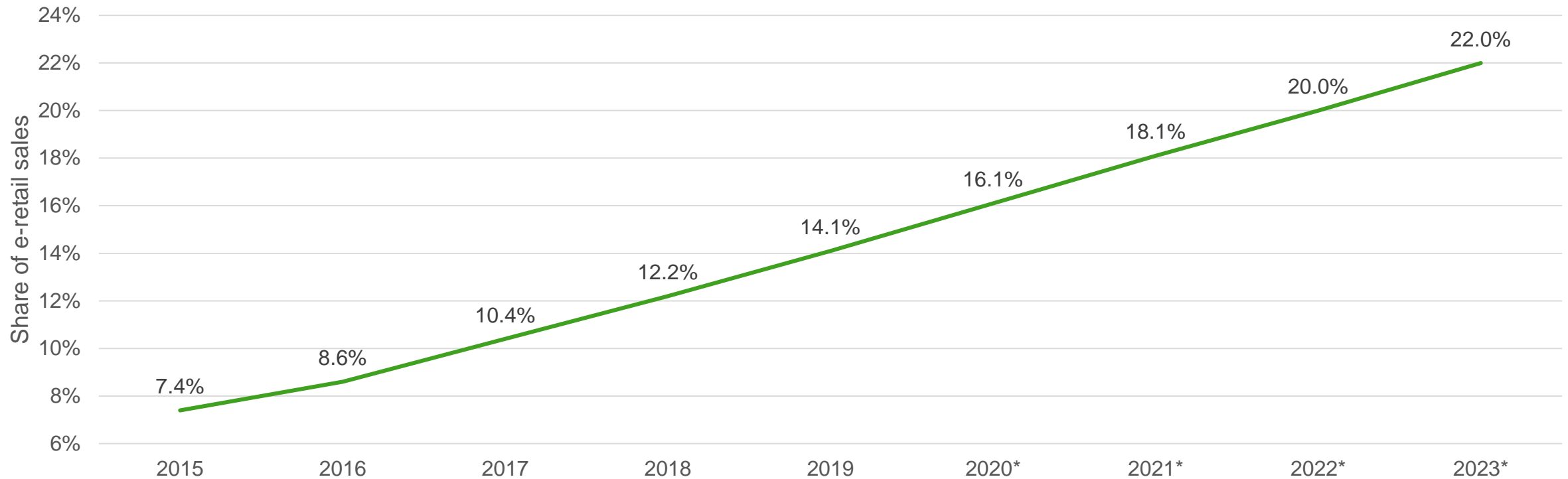
9,792 units per container



Impacts of e-commerce



**In 2019, e-retail sales accounted for 14.1 percent of all retail sales worldwide.
This figure is expected to reach 22 percent in 2023.**





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Business

Why We're Choking on Amazon Cardboard

Do e-commerce companies *have* to ship small objects in huge boxes? Really?

By Leonid Bershidsky
September 17, 2018 4:00 AM



Forbes Billionaires Innovation Leadership Money Consumer Industry Lifestyle

29,877 views | Jul 29, 2018, 09:37am

What A Waste: Online Retail's Big Packaging Problem



SCIENCE **The New York Times** SUBSCRIBE

E-Commerce: Convenience Built on a Mountain of Cardboard

A review of packaging across sectors revealed the following data:

61% Had no branding on or inside the packaging

55% Did not reflect the value of the brand

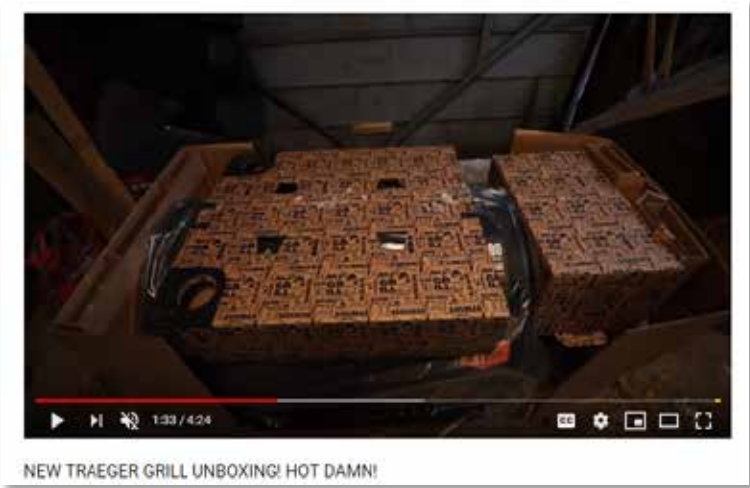
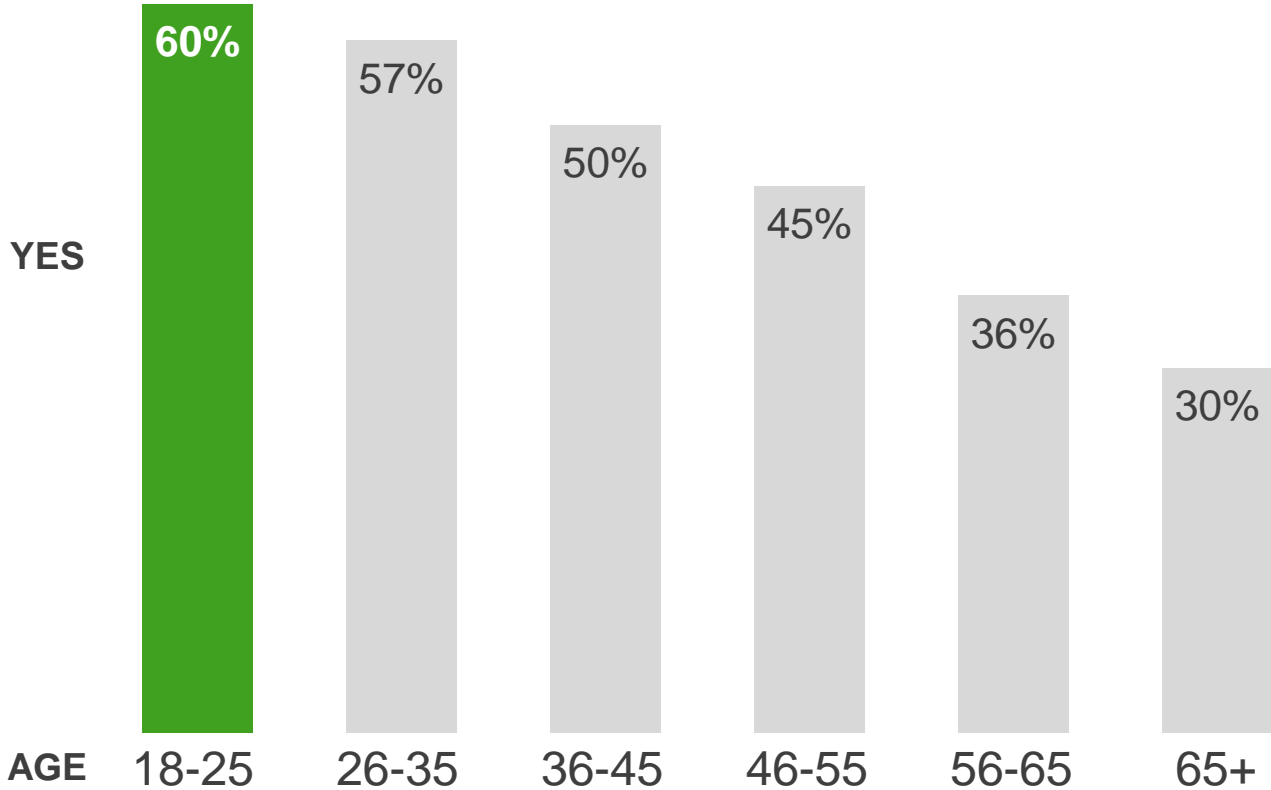
55% Had no returns information

41% Used too much packaging

30% Were not a good fit for the product

24% Were not easy to open

Has a negative returns experience ever resulted in not shopping with the retailer again?



Where to make improvements





Revisit the size and
purpose of your
shipping cartons

Utilize re-sealable
features





Graphic messaging



Minimize
non-sustainable
elements

What is sustainable packaging?

④ Optimized for the supply chain

- > Packaging size optimization
- > Lightweighting
- > Higher freight density

④ Optimized materials

- > Use of certified, renewable & recyclable materials
- > Materials reduction

④ Brand building

- > Reduced carbon footprint





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Thank You!



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BILLERUDKORSNÄS

Appendix



Performance Management

<p>Volume & Spend</p> <ul style="list-style-type: none"> • Spend & Volume by Carton Type, Region & Factory • Actual weighted average reporting 	<p>Sustainability & Social Responsibility</p> <ul style="list-style-type: none"> • Total fiber consumption • FSC/PEFC material used by country & brand • Recycled content used by country & brand • Sustainability Tool “Thinkstep” • Supplier CSR reporting and visibility
<p>Quality</p> <ul style="list-style-type: none"> • Defect rate (DPM) • Preventive Action • Corrective Action 	<p>Service</p> <ul style="list-style-type: none"> • On Time Delivery • Responsiveness • Innovation activities

Onboarding and ongoing performance management is a critical component to our partnerships to establish the right KPIs to help you reach your goals.

Common packaging issues

- ④ Over-sized shipping cartons (bad fit)
- ④ Cumbersome to handle (plastics)
- ④ Graphic messaging
- ④ Not easy to open or to return
- ④ Over packing (air-fills, peanuts, etc.)
- ④ Not reflecting the value of the brand

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Convergence or Divergence: How to wrestle with buying global trade and logistics software in a hyper-speed market

Eric Johnson, Senior Editor, Technology, Journal of Commerce

Convergence or Divergence: How to wrestle with buying global trade and logistics software in a hyper-speed market

FDRA Footwear Trade Distribution and Customs Conference
Oct. 28, 2019

Eric Johnson, Senior Editor, Technology, +1 213 444-9326, eric.johnson@ihsmarkit.com



Agenda

From Logistics Networks to Supply Chain Networks

2000-era software providers
being acquired or merged

Shippers want platforms, not
individual solutions

Are those platforms integrated
or linked by strategic
partnerships?

Core issue these days: use an
established provider or a
startup?



Old Three-Legged Stool of GTM



New Three-Legged Stool of GTM

Coordinating the:

Physical flow

Compliance flow

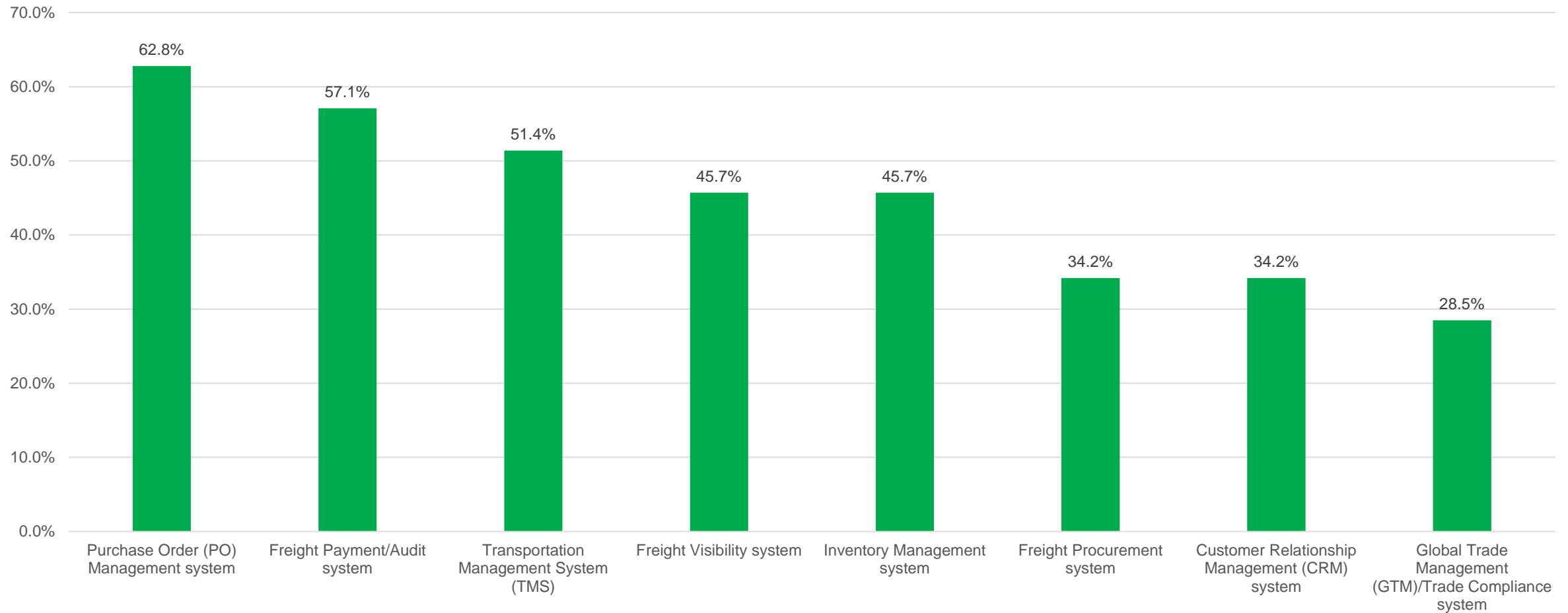
Data flow



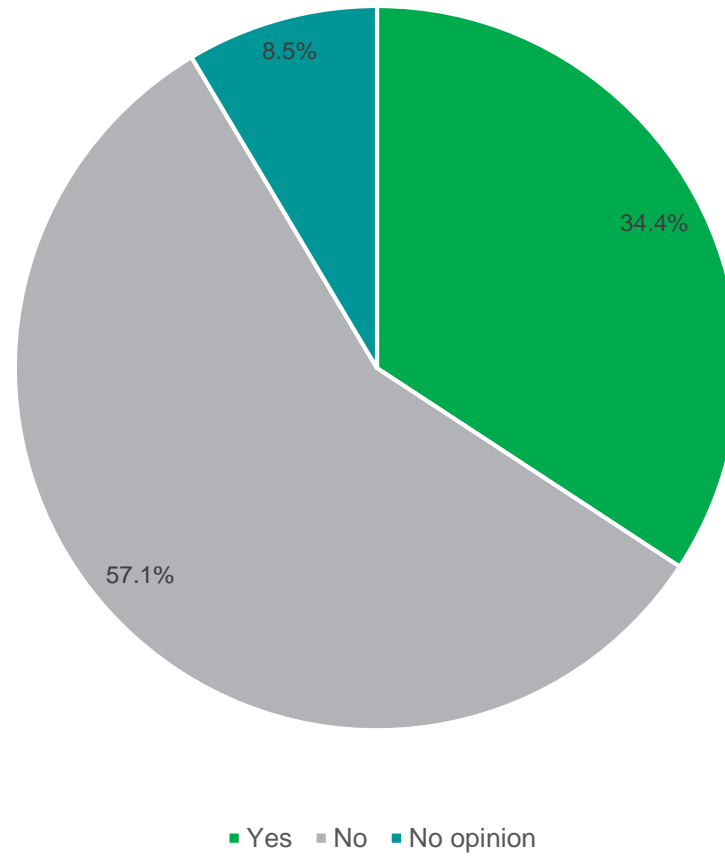
Can Logistics and Compliance Functions Be Merged?



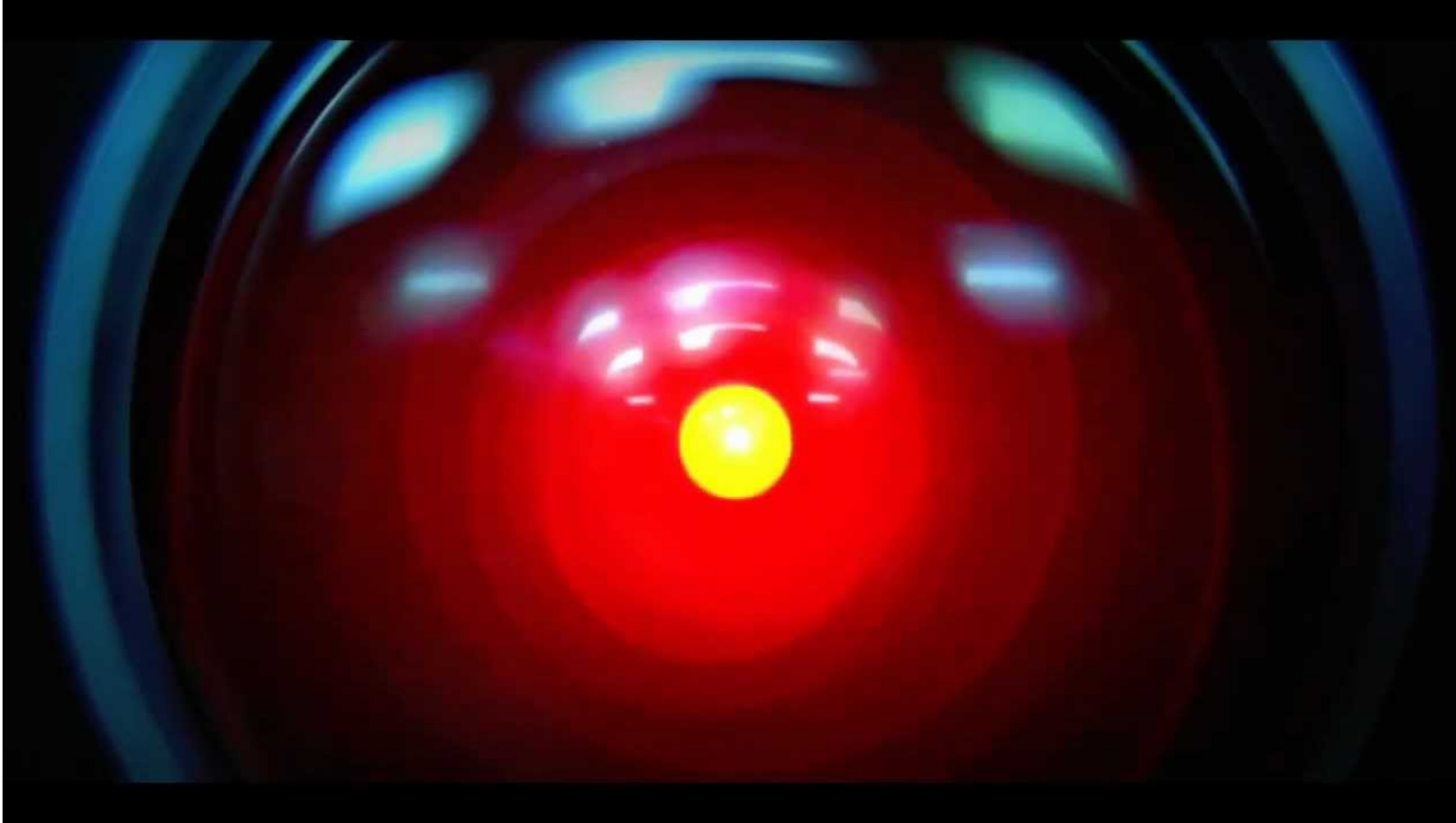
What systems do you currently use?



Do you manage too many systems?



AI

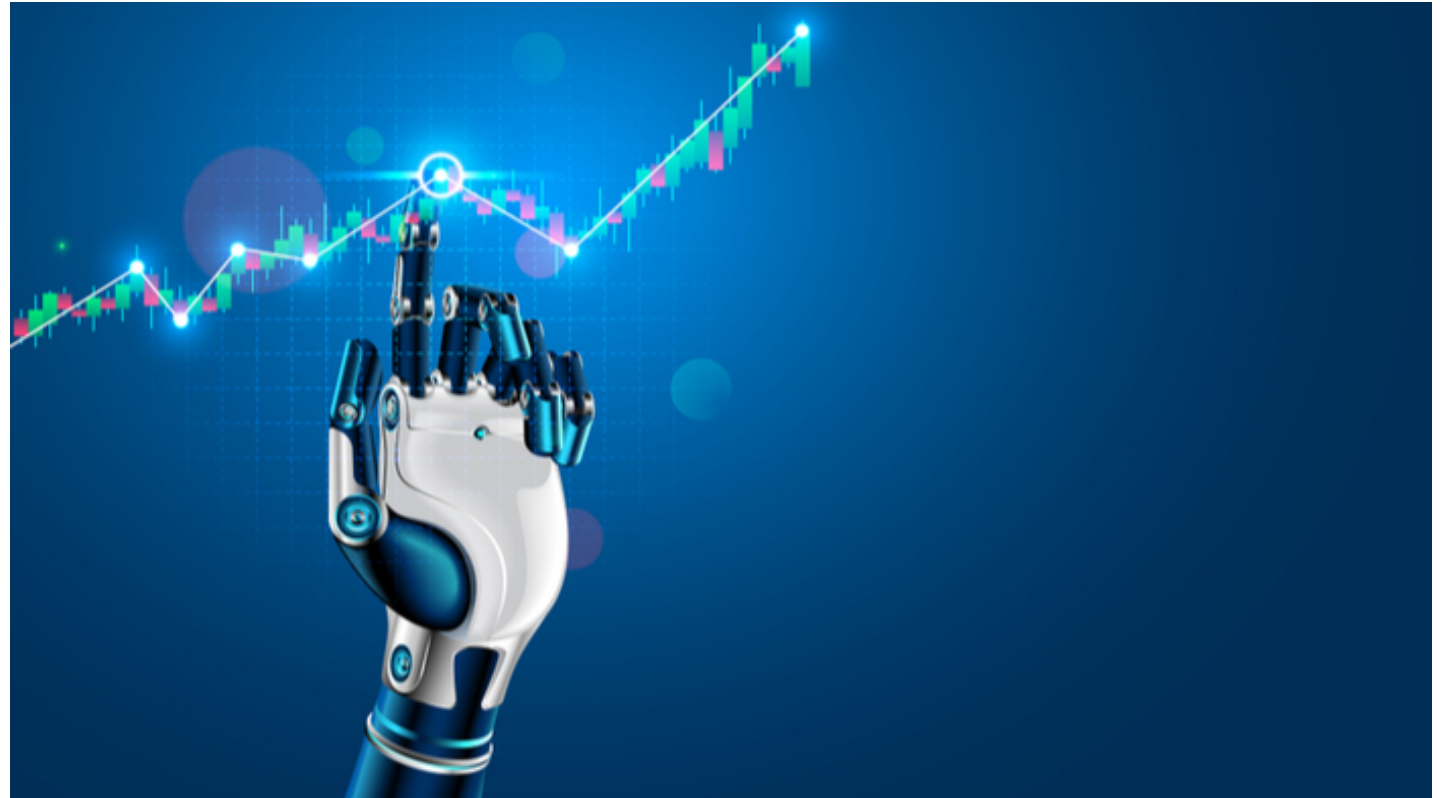


AI (and maybe Amazon?)



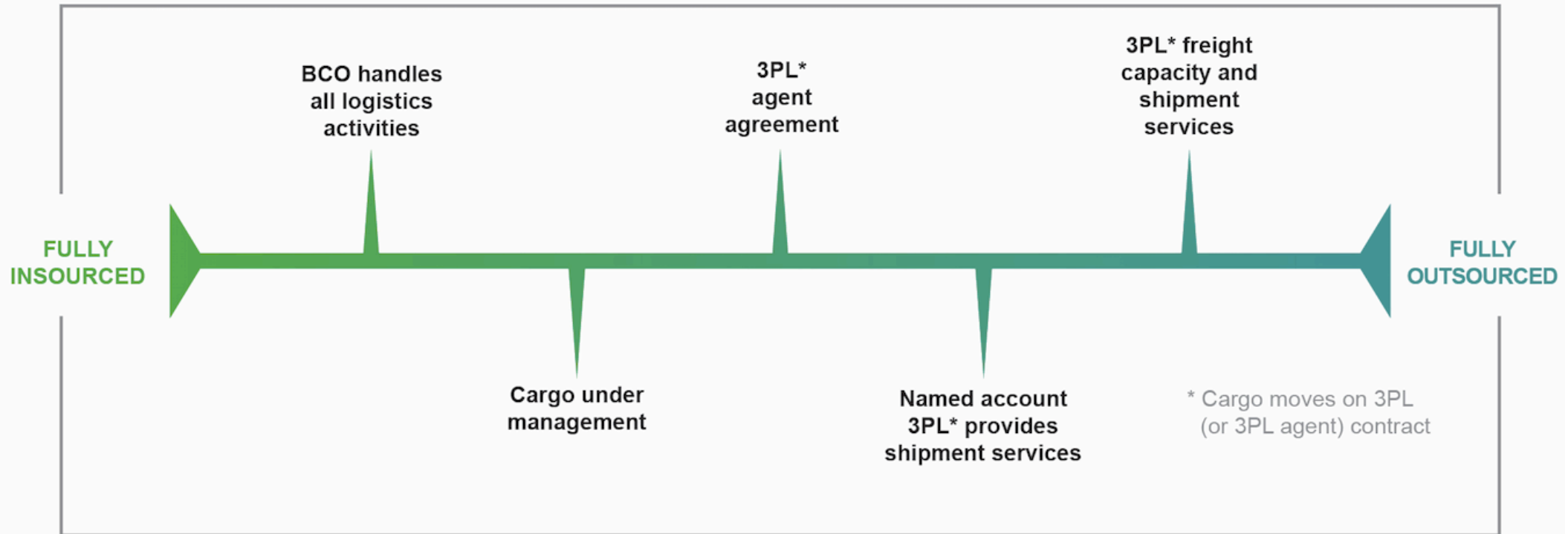
Trade Compliance Automation?

Amazon buys INLT in
September
AI's role in
classification
Process automation
for customs entries



Lines of BCO Contract Control

The degree to which BCOs control ocean freight contracts and shipment management is entirely dependent on how much they want to outsource to their 3PLs.



Source: IHS Markit

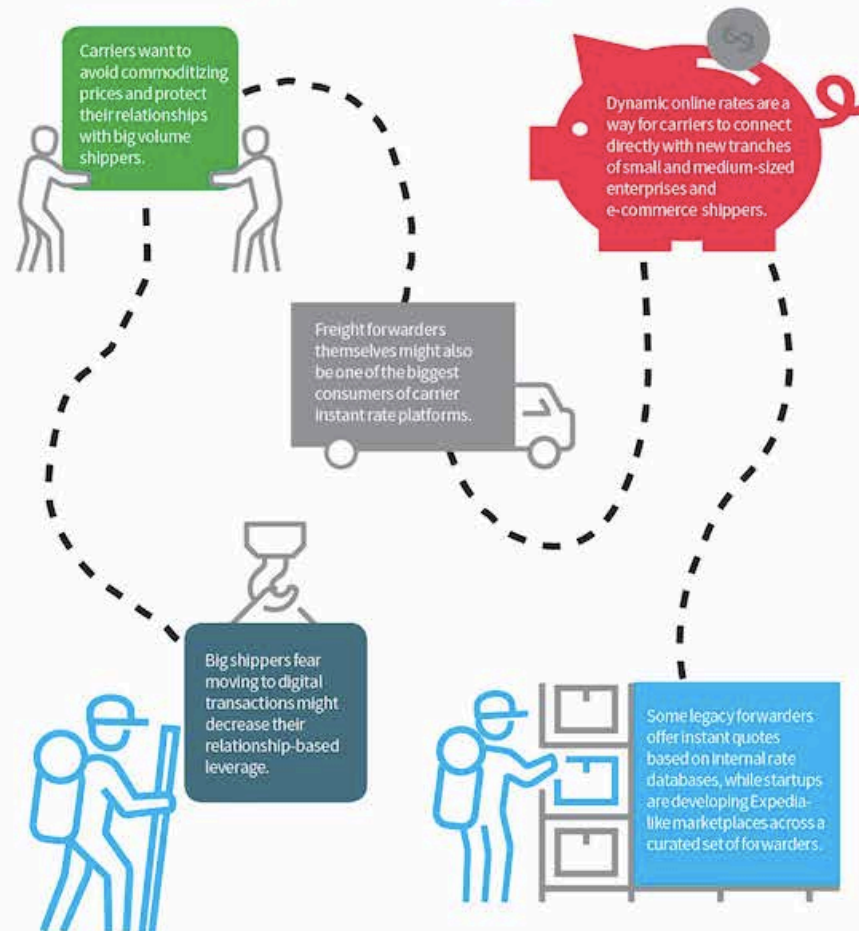
©2019 IHS Markit | 417613

Few Container Lines Provide Instant Quotes

The world's top container lines are largely lagging when it comes to providing shippers with an e-commerce interface to look up instant ocean freight rates.



The Path to Dynamic Pricing



The Future of Ocean Freight Procurement

- Will digital tools simply create a **migration of spot** to instant quoting?
- Will BCOs feel their **volume leverage** is diminished in digital environments?
- Will forwarders/NVOs be able to express their **differentiation** through instant quoting tools?
- Will instant quoting tools be used mostly for price **discovery/market benchmarking**?



Data is the Real Product

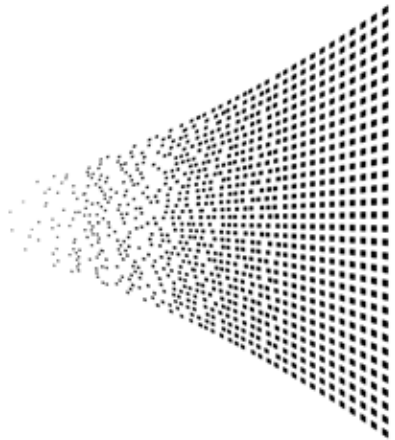
Products are either:

- Free
- Subscription-based
- Transaction-based
- Licensed



What Type of System is a Shipper After?

Data



Optimization

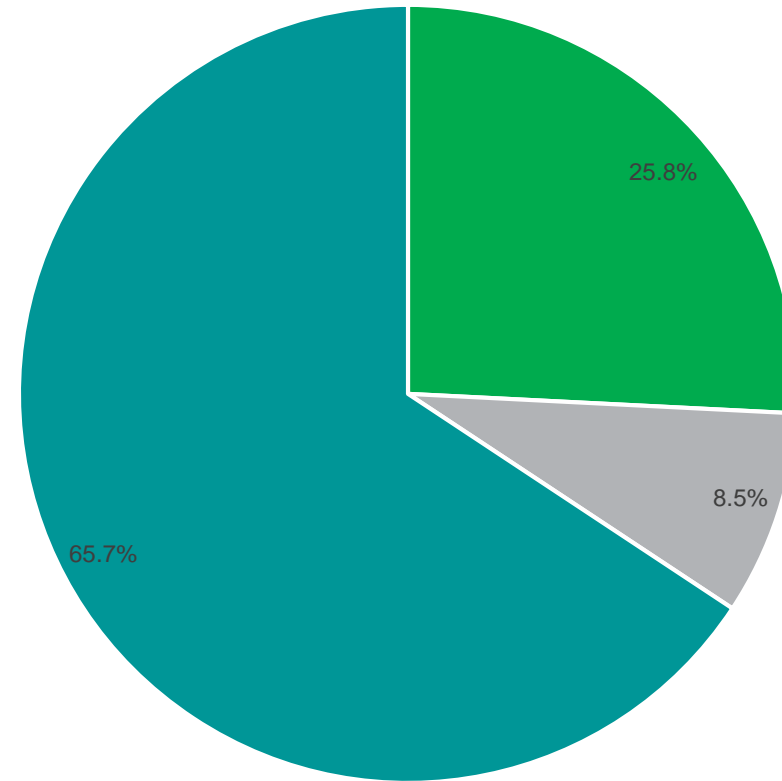


Connectivity



Who is responsible for logistics innovation?

- Software providers
- 3PLs (NVOCCs, freight forwarders, freight brokers)
- We are



Takeaways

- GTM an underutilized tool
- AI likely to significantly impact routine trade compliance
- Dynamic freight: What's the lure?
- Shipper options are proliferating, not being replaced
- Value your data, but don't overvalue it



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Like a Good Neighbor, Cargo Insurance is There

Moderated by **Kevin Bruning**, *Import Compliance Manager, Clarks*

Like A Good Neighbor, Cargo Insurance is There

Footwear Trade Distribution and Customs (FTDC) Conference

October 28, 2019

General Average, Cargo Insurance & Answers to Questions
that usually aren't asked until its too late!

Presented by:

Keith Sanchez, Partner/DVP , Avalon Risk Management, Inc.
Captain Sam Wadhvani, President, Transit Risk Management, Inc.
Jeff Hall, Principal/PI, Transit Risk Management, Inc.

General Average 2019

Already this year, there have been 9 notable fires cases most resulting in General Average.



Yantian Express

Year Built 2002, 100,003 dwt

Date of loss: 1/3/19

GA Declared: 1/25/19

202 containers are a total loss



APL Vancouver

Year Built 2013, 115,060 dwt

Date of loss: 1/31/19

GA Declared: 2/7/19

947 containers affected



E.R. Kobe

Year Built 2001, 68,196 dwt

Date of loss: 2/24/19

GA Declared: 3/12/19

General Average – An Introduction

Think of it this way... an airplane you are traveling on incurs some damage, luckily no one was hurt but the destruction is evident. Before exiting the aircraft, the captain announces that no one can leave the plane until they've paid for a percentage of the damage based on their net worth, and if you can't pay, the airline will sell you to the highest bidder.



General Average - The Concept

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General Average – How Does it Work?

- All freight is seized!
- Value of the voyage is determined (vessel value plus value of all cargo on the vessel.)
- Participation is determined (the percentage that the value of your cargo bears to the value of the voyage.)
- The loss amount is determined.
- Participation percentage is applied to the loss amount to determine security deposit.
- Shipper or their cargo insurer pay twice, for the initial contribution then for a bond covering future adjustments to that estimate.

Sample General Average calculation

- **\$40 million Sacrificed Cargo + Expenditures**
- The loss represents 20% of the contributing value
- Cargo owners must contribute 20% of respective cargo values
- **A shipper with a \$100,000 shipment must pay \$20,000**
- **HOWEVER** if insured, the insurance company puts up security and cargo is released.
- GA claims take years to resolve.

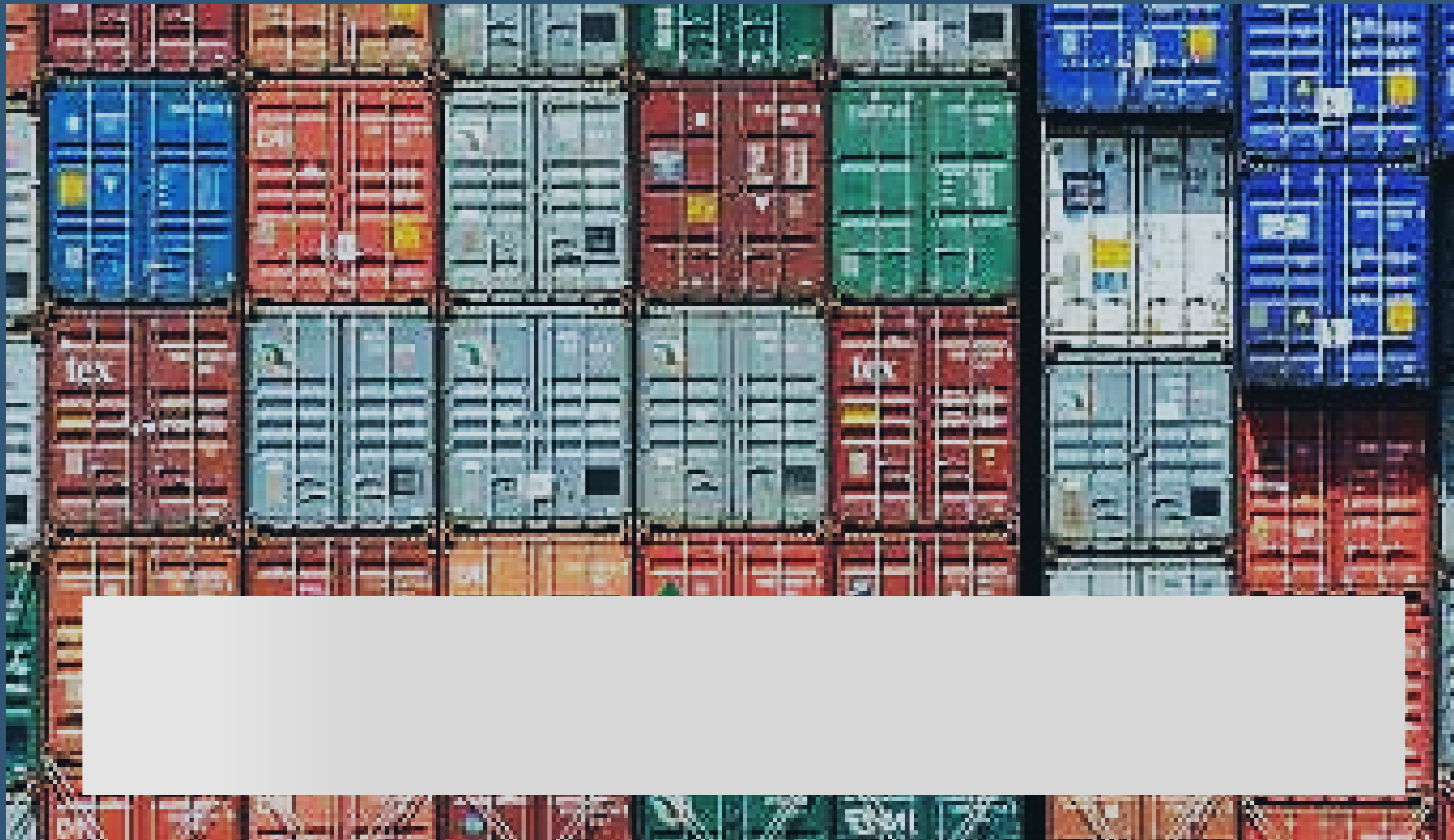
General Average Loss – Yantian Express Timeline

- MV Yantian Express
 - Deck fire on January 3, 2019
 - Crew was evacuated on January 5, No injuries. 4 tugs.
 - Hapag-Lloyd declared GA on Jan. 25
 - Richards Hogg Lindley appointed as Average Adjuster
 - Vessel towed to Freeport Bahamas on Feb. 4 where average adjusters determined financial loss



General Average Loss-Yantian Express













General Average Loss-Yantian Express

- 420 containers are a total loss
- **Salvage and General Average Securities Determined**
 - Average Security: 28%
 - Salvage Security: 32.5%
 - **60.5% CASH DEPOSIT FOR UNINSURED CARGO**

A cargo owner with a cargo worth \$100,000 has to pay \$60,500 to get their goods!!!

General Average – Hidden costs

- Delay - finding a port, unloading & sorting
- The great unknown (is my cargo OK?)
- LCL Freight - has everyone in my container paid?
- More delay - has my shipment missed delivery deadlines?
- Lost profit, lost opportunity - is my profit covered?

General Average will never go away, so how do we make that less painful?

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Containership Fires - Problems Facing the Industry

- Recent cases have reopened the conversation about the difficulties of preventing and extinguishing fires on the open sea.
- Ships are larger with more varied cargo.
- Crew are ill-equipped to deal with these fires.
- Fire-fighting tugs are often days or weeks away.
- Prevention is difficult, with rising problems with misdeclared cargo.
- IMDG Code is evolving to impose stricter rules on dangerous goods (DG.)

Containership fires - Problems Facing the Industry

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-
- ---

Major Fire Cases in Recent Years

NO.	VESSEL	DWT	TEU	LOSS - DATE	REGION
1	MSC Flaminia	85,823	6,750	14-Jul-12	North Atlantic
2	Amsterdam Bridge	54,405	4,380	09-Sep-12	Arabian Gulf and approaches
3	Hansa Brandenburg	23,493	1,740	15-Jul-13	Indian Ocean
4	Zim Rotterdam	116,499	10,062	23-Aug-13	Red Sea
5	Maersk Kampala	93,617	6,802	28-Aug-13	Red Sea
6	Northern Guard	53,860	4,319	06-Apr-14	Arabian Gulf and approaches
7	Maersk Londrina	99,778	8,700	25-Apr-15	Indian Ocean
8	Hanjin Green Earth	140,973	13,092	01-May-15	Suez Canal
9	Maersk Karachi	94,769	6,690	14-May-15	British Isles, North Sea, English Channel, Bay of Biscay
10	Kamala	29,277	2,011	11-Jul-15	Japan, Korea and North China
11	Maersk Seoul	108,344	8,401	19-Jul-15	Arabian Gulf and approaches
12	Cape Moreton	37,883	2,742	12-Sep-15	South China, Indo China, Indonesia and Philippines
13	Safmarine Meru	61,392	4,154	08-May-16	Japan, Korea and North China
14	CMA CGM Rossini	73,235	5,782	15-Jun-16	Arabian Gulf and approaches
15	CCNI Arauco	113,174	9,000	01-Sep-16	British Isles, North Sea, English Channel, Bay of Biscay
16	APL Austria	72,807	6,350	13-Feb-17	East African Coast
17	MSC Daniela	162,867	13,798	04-Apr-17	Arabian Gulf and approaches
18	Maersk Honam	162,051	15,226	06-Mar-18	Arabian Gulf and approaches
19	SSL Kolkata	13,784	1,118	13-Jun-18	Bay of Bengal
20	Yantian Express	100,003	7,506	03-Jan-19	United States eastern seaboard
21	APL Vancouver	115,050	9,200	31-Jan-19	South China, Indo China, Indonesia and Philippines
22	ER Kobe	68,196	5,762	24-Feb-19	Hong Kong and China

Is there a Solution?

- Self regulation by the industry? Maersk is already doing it.
- Government regulation? Think SOLAS VGM or 24hr Rule!!
- Further DG restrictions?

Common Cargo Insurance Misconceptions & Frustrations With INCOTERMS

- Clarification of cargo insurance assumptions

 - Won't the carrier just pay my claims?

 - All cargo insurance is pretty similar, right?

 - In order to reduce costs, I am considering insuring for less than the full value of my shipment

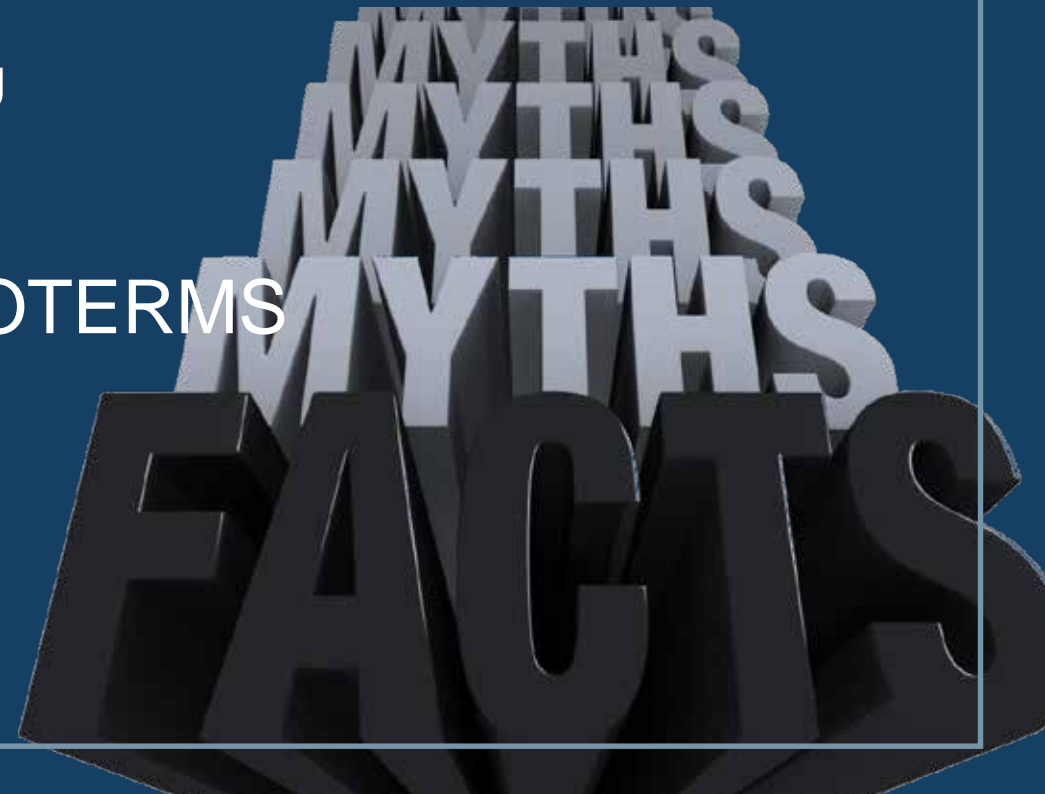
- Working through frustrations with INCOTERMS

 - Transfer of risk vs. title

 - Payment terms specified elsewhere

 - Scope of cargo insurance

 - How can I protect my interests?



Confusion on Cargo Insurance

Risks do not end when title transfers

- As buyer, be careful on prepayment for all or part of the order.
- Selling on Open account abroad or domestically– are you protected by the buyer's insurance?
- What about your brand image, product liability, or contract terms?

The answer: Contingency Insurance

CONFUSION ON CARGO INSURANCE

In the case of imports, control your own destiny, not your supplier

- Prepayment for all or some.
- What about your brand image, product liability, or contract terms?

The answer: Get your own insurance or get Contingency Insurance

QUESTIONS?

FOR MORE INFORMATION, CONTACT:



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