



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 Success

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



2,002
Number of Parcels
Shipped Every
Second in China



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



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



20 days
of days
between search
and purchase



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



CBP and eCommerce

U.S. Customs and Border Protection

A picture containing food
Description automatically generated

E-commerce

E-commerce is a growing segment of the U.S. economy and has been for the past several decades. CBP defines e-commerce as high-volume, low-value shipments entering U.S. commerce. The rapid growth of e-commerce has revolutionized the way goods are bought and sold around the world – which has opened the door for counterfeiters to expand their businesses from street corners and flea markets to the e-commerce market.

E-COMMERCE BY NUMBERS

- \$2.29 trillions** in sales throughout the global e-commerce market
- 80% of Americans** shop using one or more e-commerce platforms
- 1.8 millions mail and express shipments** enter the U.S. each day; FY 2019 volumes exceeded 600 million shipments
- Over 90% of all IPR seizures** occur in the mail and express environments

CBP'S E-COMMERCE GOALS

Goal 1

Enhance legal and regulatory authorities to better address emerging threats

Goal 2

Adapt all affected CBP operations to respond to emerging supply chain dynamics

Goal 3

Drive private sector compliance through incentives and enforcement resources

Goal 4

Facilitate international standards for e-commerce to support economic prosperity

E-COMMERCE CHALLENGES

- As volumes of small e-commerce packages grow rapidly, the inspection challenges intensify
- Transnational criminals ship illicit goods via small packages due to perceived lower interdiction risks and less severe consequences
- High volumes of small packages make it difficult to scale processes and procedures
- Domestic buyers are vulnerable to substandard products

MODERNIZING E-COMMERCE

- Coordinating on actions set forth in the DHS Report on *Combating Trafficking in Counterfeit and Pirated Goods*.
- Coordinating on actions set forth in the Executive Order *Ensuring Safe & Lawful E-commerce*.
- Establishing an international Framework of Standards for e-commerce through the World Customs Organization.

U.S. government partners, the trade community, and foreign customs agencies to bolster e-commerce enforcement and facilitation

- Applying enhanced Section 321 Data Pilot and Entry Type 86 Test data (125 million + shipments to date) to identify and segment risk.
- Leveraging data collection efforts to drive enforcement, enhance trade facilitation, and inform updated regulations.
- Creating a predictable enforcement environment and addressing duty evasion by issuing an administrative ruling clarifying Section 321 eligibility.

ecommerce@cbp.dhs.gov

CBP Publication No. 1224-0920

US Customs eCommerce Approved Entry Processing

§ 321 Data Manifest Entry

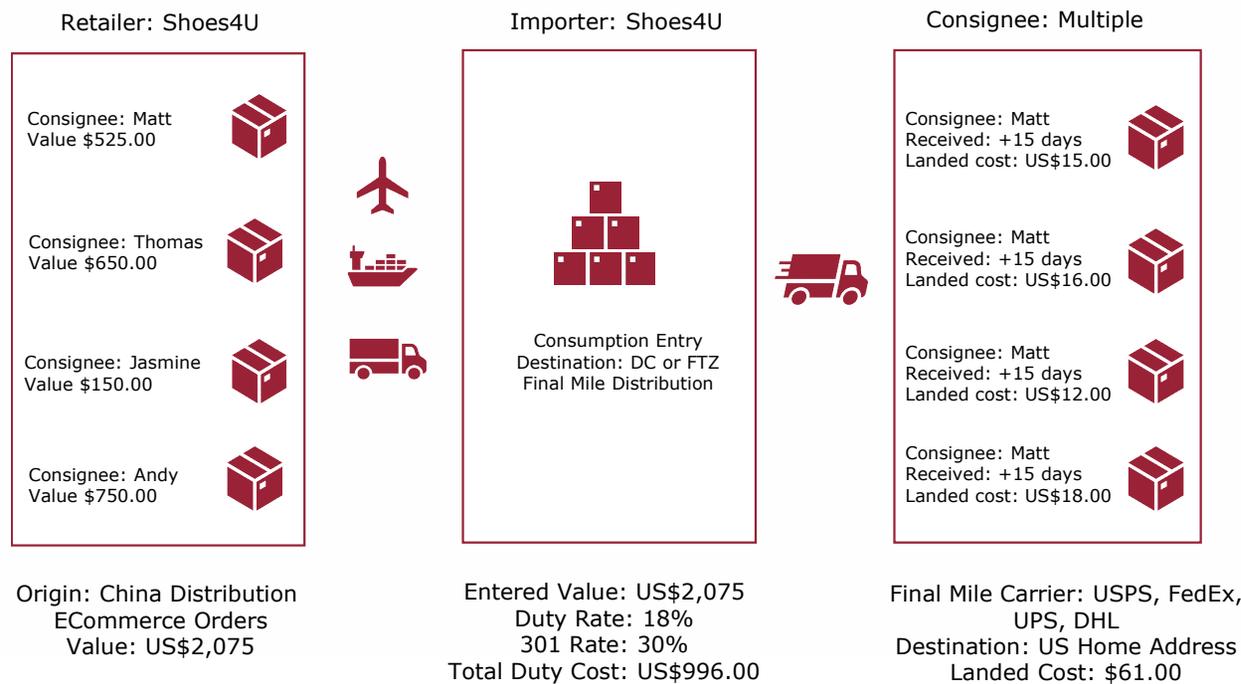
- ✓ Value cannot exceed \$800 USD per consignee, per day
- ✓ Consignee name and address required
- ✓ HTS classification NOT required
- ✓ PGA regulated products not permitted
- ✓ Available for air, truck, and ocean modes
- ✓ Manifest transmitted to US Customs prior to aircraft departure
- ✓ Content descriptions 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 disclaimer can be cleared
- ✓ Available for any mode (air, ocean, truck)
- ✓ Entries transmitted to US Customs upon "wheels up"
- ✓ Entry must be transmitted via ABI

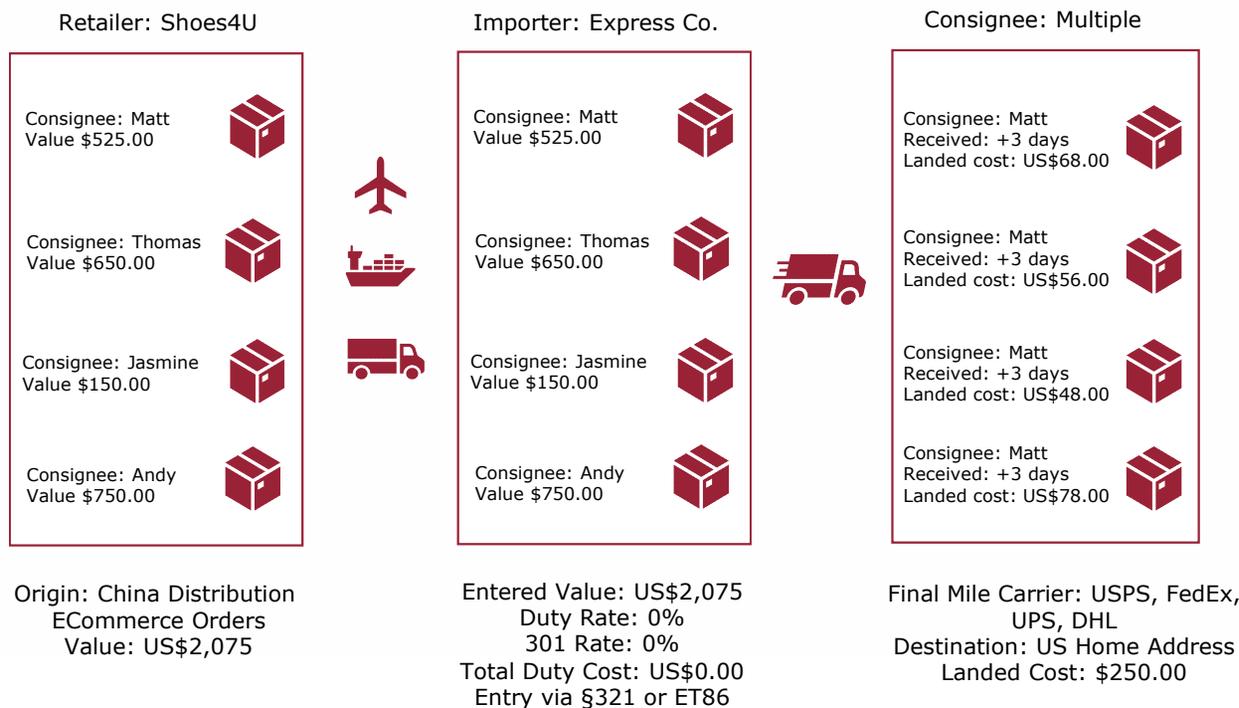
The Traditional eCommerce Model for Supply Chain and Entry



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

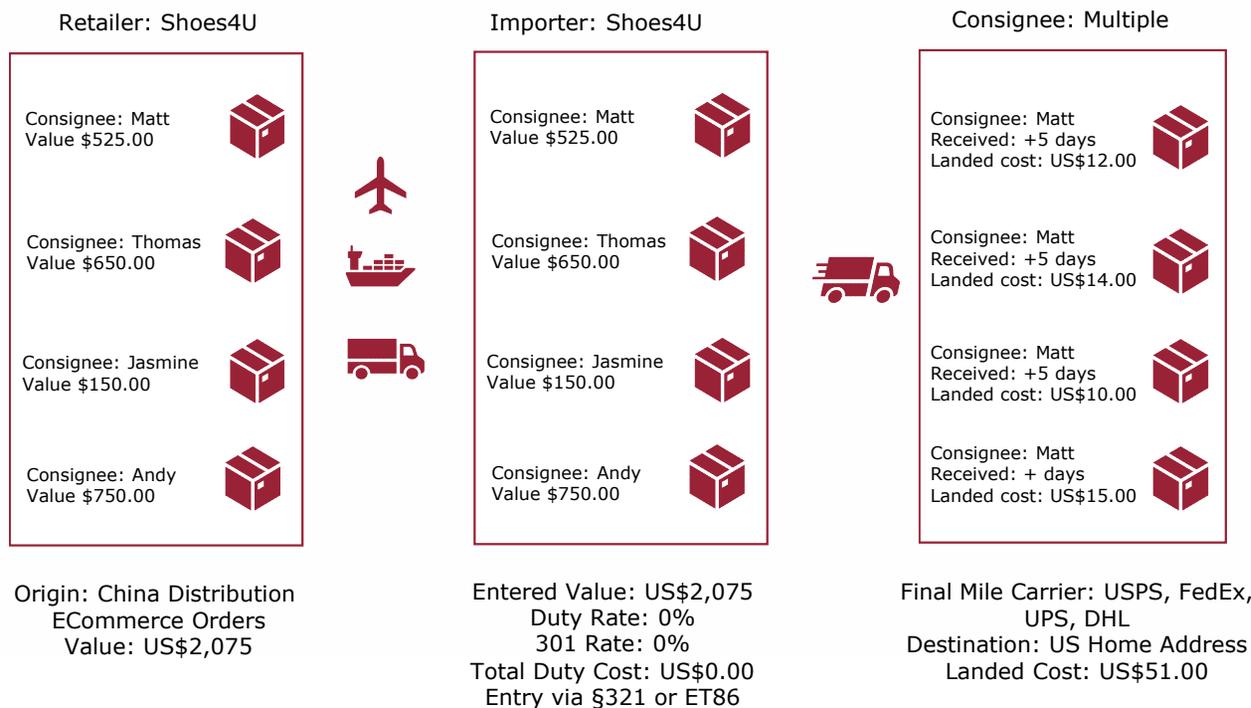
The Express eCommerce Model for Supply Chain and Entry



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

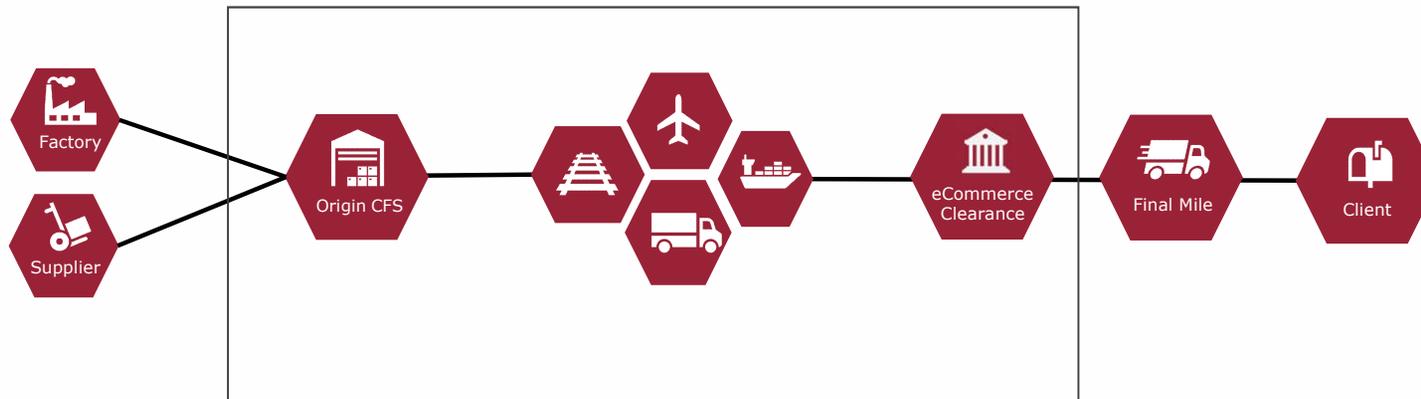
The Apex eCommerce Model for Supply Chain and Entry



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 from consolidated international freight and use of existing domestic delivery pricing rather than express pricing from international origin

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*

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

Thank You!

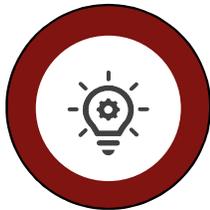
Extensive Global Logistics Network including
Origin and Destination, Transportation,
Distribution, and Customs Clearance

Commitment to the
Highest Standards of
Trade Compliance



Technology Designed to
Enhance Process and Deliver
Results

Innovation to drive cost
savings, performance,
and cost savings



Partnership Delivered by
Professionals Scaled to Deliver
Customs Success