E-Commerce and Trade Logistics: New Challenges and Opportunities for International Transport and Trade Facilitation

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WCO and the Future of E-commerce

- Since the Great Recession of 2008, global trade has remained flat while e-commerce has increased 20% per year.
- This latest digitalization of trade will continue to change industry trade patterns and product distribution for years to come.
- Even government is not immune from the effects of e-commerce.
- World Customs Organization’s Working Group on e-Commerce
  - Cross-border shipment
  - Physical goods
  - Low value
  - B2C and C2C
WCO and the Future of E-commerce

• WG definition:
  • Cross border shipment
  • Physical goods
  • Low value
  • B2C and C2C

• WG has 4 Subgroups:
  • Trade Facilitation and Simplification of Procedures
  • Safety and Security
  • Revenue Collection
  • Measurement and Analysis
## E-Commerce Work Group Program

<table>
<thead>
<tr>
<th>TIMELINE</th>
<th>ACTIVITY/MILESTONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>By end October 2016</td>
<td>Report finalised based on members feedback</td>
</tr>
<tr>
<td>By late November 2016</td>
<td>Sub-Group leads virtual meeting with WCO Secretariat and co-chairs to develop a more detailed roadmap (WCO Secretariat and co-chairs to prepare draft for consideration)</td>
</tr>
<tr>
<td>By end November 2016</td>
<td>Leads to initiate/plan and undertake virtual meetings/comms with sub-group members to initiate work and agree on broad strategy and approach</td>
</tr>
<tr>
<td>5-7 December 2016</td>
<td>Update on WGEC provided to Policy Commission</td>
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<tr>
<td>By mid-December 2016</td>
<td>Refine roadmap based on feedback from Policy Commission</td>
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<tr>
<td>18-19 January 2017</td>
<td>Possible sub-groups face to face meeting</td>
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<tr>
<td>20 January 2017</td>
<td>Sub-groups plenary</td>
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E-Commerce Work Group Program (cont.)

<table>
<thead>
<tr>
<th>TIMELINE</th>
<th>ACTIVITY/MILESTONE</th>
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</thead>
<tbody>
<tr>
<td>10 February 2017</td>
<td>Draft report due (MILESTONE)</td>
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<tr>
<td>24 February 2017</td>
<td>Possible face to face meeting (Leads with Co-chairs and WCO Secretariat)</td>
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<tr>
<td>27-28 February 2017</td>
<td>Draft report tabled for discussion at PSCG</td>
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<tr>
<td>27 March 2017</td>
<td>Report tabled at Enforcement Committee</td>
</tr>
<tr>
<td>3-6 April 2017</td>
<td>Report tabled at Permanent Technical Committee</td>
</tr>
<tr>
<td>July 2017</td>
<td>Report to Policy Commission</td>
</tr>
<tr>
<td>July 2017</td>
<td>Report to Council</td>
</tr>
<tr>
<td>After July 2017</td>
<td>Continue Work based on the policy guidance provided by the WCO Policy Commission/Council</td>
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</table>
Three-quarters of the survey respondents already have an online sales channel in place, while 45% of those who are not selling via the web today plan to in the near future.

If no, does your organization have plans to implement e-commerce sales?

[Diagram showing distribution of responses]

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The e-Commerce Explosion – 2016 Predictions

• The web will account for 12.8% of global retail sales by 2019

• Global cross-border B2C e-commerce sales are forecast to hit $1 trillion in 2020

• e-Commerce sales will outpace brick-and-mortar sales growth by a more than 3-1 margin

• e-Commerce will eclipse $3.5 trillion by 2020

• 40% of consumers have purchased goods from another country

• 48% of companies now do business in more than 50 countries

• 35% of companies now realize more than half of their total sales from international markets
The e-Commerce Explosion – 2016 Actuals

- Nearly 1/3 of consumers and nearly 1/2 of parents began holiday shopping before Labor Day
- 73% of 2016 holiday shoppers planned to shop online
- Thanksgiving through Cyber Monday online sales reached $12.8 billion
- Between Nov. 1 and Dec. 31, online sales hit $91.7 billion, up 11% from $82.5 billion a year ago
- Americans spent on average $1,175 per person for the 2016 holiday season, showcasing a 12% increase over last year, and 73% shopped online
- UK shoppers spent £133 billion ($164.57 billion) online last year, which was a 15.9% increase from £114.75 billion in 2015
Does your organization currently offer an online sales channel?

- Yes: 75%
- No: 25%

Has your business experienced an upsurge or decline in web-based/e-commerce sales in the last 12 months?

- Remained the Same: 51%
- Upsurge: 44%
- Decline: 5%

If no, does your organization have plans to implement e-commerce sales?

- Yes: 65%
- No: 14%
- N/A: 21%
e-Commerce Overtakes Brick and Mortar
December Stats: In-Store vs Non-Store

Source: U.S. Dept of Commerce

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<table>
<thead>
<tr>
<th>Retailer</th>
<th>Closures</th>
<th>Sales (US)</th>
<th>Sales (EU)</th>
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</thead>
<tbody>
<tr>
<td>SPORTS AUTHORITY</td>
<td>460</td>
<td></td>
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<tr>
<td>macy's</td>
<td>100</td>
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<td>FOSSIL</td>
<td>113</td>
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<tr>
<td>Walmart</td>
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<tr>
<td>Finish Line</td>
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<tr>
<td>Walgreens</td>
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<tr>
<td>Office Depot</td>
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<tr>
<td>MARKS &amp; SPENCER</td>
<td>30+</td>
<td></td>
<td></td>
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<tr>
<td>American Eagle Outfitters</td>
<td>150</td>
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<tr>
<td>Claire's</td>
<td>72 US</td>
<td>26 EU</td>
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<tr>
<td>JCPenney</td>
<td>80</td>
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<td></td>
</tr>
<tr>
<td>Sears/Kmart</td>
<td>150</td>
<td></td>
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The Industry’s Challenges

• Technology is changing rapidly
• Increased competition from non-traditional sources
• Mobile devices
• Customer expectations have increased
• Global trade regulations
• Risk and security concerns
• Reverse logistics
The Industry’s Challenges

- Nearly **36%** experienced shipping/transportation challenges that impact retailers’ ability to achieve strategic goals and objectives.

- **24%** stated that they are concerned with regulatory penalties leading to delays and fines.

- **24%** are concerned about brand reputation damages (recalls, etc.).

- **29%** of the survey participants had already experienced delays, fines, and damage to their brand reputation as a result of regulatory penalties.
The number one concern is **cybersecurity**

Second and third highest concerns are a sign of the times: **regulatory risk** (stemming from trade violations, fines, delays due to lack of documentation, recalls, etc.)

**Operational risk** (staffing, security, product safety, and quality issues).
Has your e-commerce channel experienced any of the following issues? (Please check all that apply.)

- Negative impact on net income and financial statements: 13%
- Regulatory penalties leading to delays and fines: 24%
- Brand reputation damages (recalls, legal action, etc.): 24%
- Shipping/transportation challenges that impact your ability to achieve strategic goals or objectives: 36%
- None of these: 45%
- Other: 4%
Enabling and Streamlining to Seize the Opportunity

Properly classify goods
Global trade content
Import/export documentation
1. **Product Catalog Management**
   - Create Product Master

2. **Classify Products**
   - Batch and ad-hoc product classification
   - Landed Cost Calculation and accurate total delivered cost including taxes & duties
   - Create required Customs documentation based on COO, COE, and COI
   - Up-to-date trade content, restricted party lists and prohibited goods oversight

3. **Confirm Online Order**
   - Challenge: High volume product classifications
   - Inaccurate or incomplete duties and taxes
   - Complex Customs regulations and documentation
   - Import and export restrictions
   - Order prep and pack visibility
   - Lack of parcel delivery visibility

4. **Apply Trade Content**
   - Screen for restricted parties, licenses and prohibited goods

5. **Pick & Pack Visibility**
   - Alerts to the shipper and customer regarding packing and shipment prep/ASN generation
   - Real-time shipment tracking

6. **Ship & Send to Customer**
Enabling and Streamlining to Seize the Opportunity

Does your company have automated technology solutions that provide the following features essential for frictionless e-commerce? *(Please check all that apply.)*

- Automation tools to determine if shipments qualify for low-value shipment or calculate and support a deliver duty paid shipment model from shopping carts (27%)
- Screening tools to determine if a party to the transaction is on a sanctioned party list, or if goods being shipped are prohibited or restricted in any way (18%)
- System for proper classification of goods based on descriptions from product catalogs and desired country of import (21%)
- Reliable, real-time order and logistics tracking systems for customers and customer support teams to monitor delivery to the final customer or door location (22%)
- None of the above (12%)
Moving Ahead and Making an Impact

• Automate your global trade management operations

• Keep your teams current on the changing regulations

• Network with similar companies and service providers
Questions?

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