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

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AAEI

eCommerce Week
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Palais des Nations, Geneva

Towards inclusive e-commerce

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

WORLD CUSTOMS ORGANIZATION

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

WORLD CUSTOMS ORGANIZATION

E-Commerce Work Group Program

TIMELINE	ACTIVITY/MILESTONE
By end October 2016	Report finalised based on members feedback
By late November 2016	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)
By end November 2016	Leads to initiate/plan and undertake virtual meetings/comms with sub-group members to initiate work and agree on broad strategy and approach
5-7 December 2016	Update on WGEC provided to Policy Commission
By mid-December 2016	Refine roadmap based on feedback from Policy Commission
18-19 January 2017	Possible sub-groups face to face meeting
20 January 2017	Sub-groups plenary

E-Commerce Work Group Program (cont.)

TIMELINE	ACTIVITY/MILESTONE
10 February 2017	Draft report due (MILESTONE)
24 February 2017	Possible face to face meeting (Leads with Co-chairs and WCO Secretariat)
27-28 February 2017	Draft report tabled for discussion at PSCG
27 March 2017	Report tabled at Enforcement Committee
3-6 April 2017	Report tabled at Permanent Technical Committee
July 2017	Report to Policy Commission
July 2017	Report to Council
After July 2017	Continue Work based on the policy guidance provided by the WCO Policy Commission/Council

WHITE PAPER

e-Commerce Impacts Global Trade
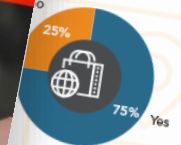## 2017 AAEI e-Commerce Benchmark Report

Three-quarters of the survey respondents already have an online sales channel in place, while 65% of those who are not selling via the web today plan to in the near future.

e-Commerce Impacts Global Trade: 2017 AAEI e-Commerce Benchmark Report

...sively, the size and potential of e-commerce sales is too lucrative to pass up. The swing ...-on e-commerce offerings is true for 75% of the survey respondents, and of the remaining ...that doesn't currently have an online sales channel, 65% plan to implement something. Of ...panies in our survey that sell online, 95% have an optimistic experience – 51% showing an ...in sales via this channel.

...es your organization ...rrently offer an online ...les channel?

25%
75% Yes

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

Yes 21%
N/A 65%
No 14%

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

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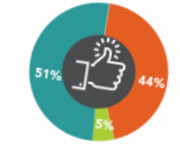
- Remained the Same
- Decline
- Upsurge

...s data, along with the fact that respondents experience more than half of their sales (55%) from ...ine channels, is indicative of the new retail dynamic. Companies wanting to mitigate the risks ...d challenges of brick-and-mortar locations will turn increasingly to e-commerce. Now it is time ...fine-tune company operations to streamline and improve efficiency.

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

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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
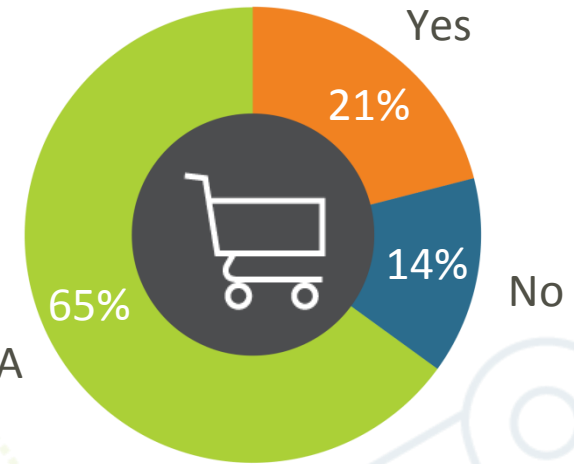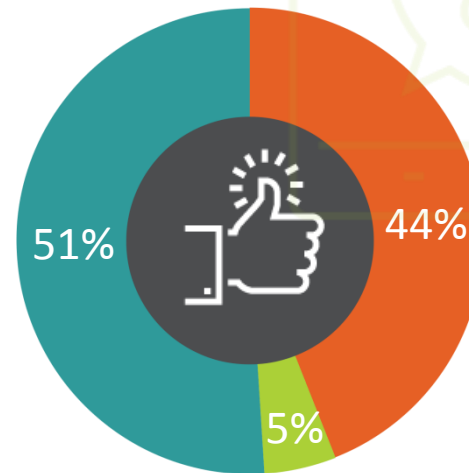
12% American spending

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Does your organization currently offer an online sales channel?
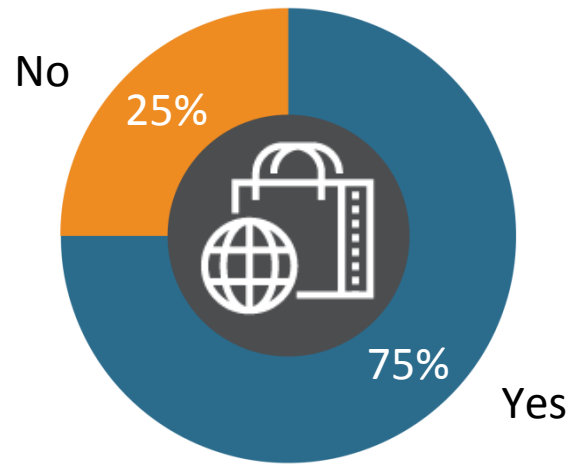
No 25%

75% Yes

If no, does your organization have plans to implement e-commerce sales?
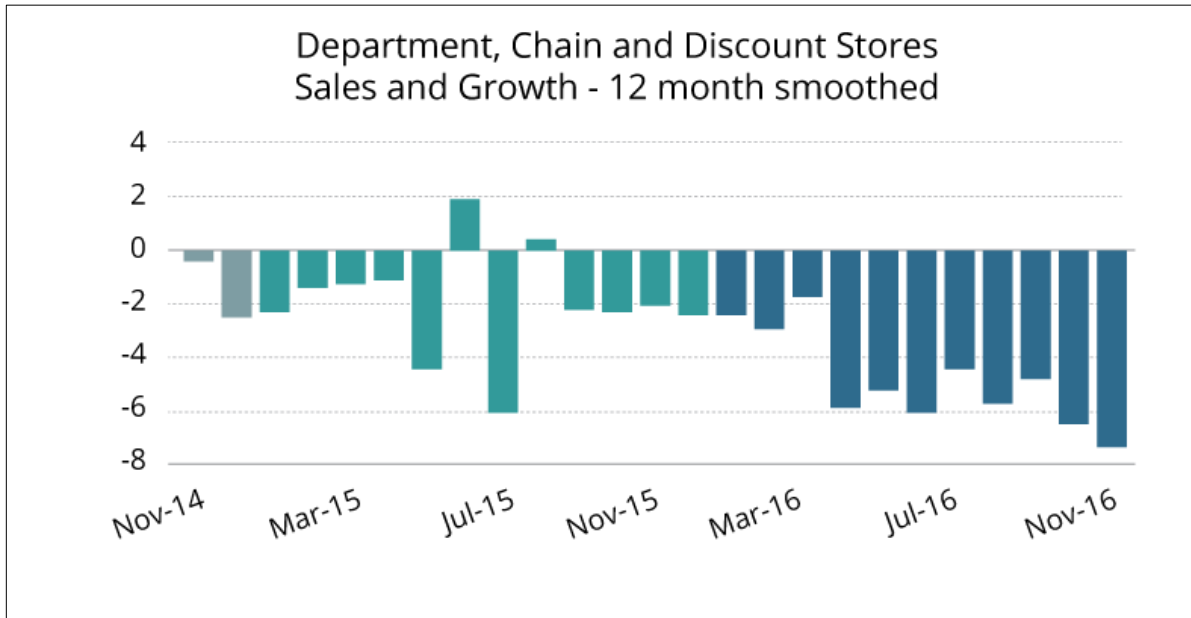
Yes 21%

No 14%

N/A

65%

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

51%

44%

5%

■ Remained the Same

■ Decline

■ Upsurge

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e-Commerce Overtakes Brick and Mortar

December Stats: In-Store vs Non-Store

Department, Chain and Discount Stores
Sales and Growth - 12 month smoothed

Source: U.S. Dept of Commerce

Non-Store Retailers
Sales Growth - 12 month smoothed

Source: U.S. Dept of Commerce

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Retailers Closing Up Shop

|		
~~SPORTS AUTHORITY~~ 460	~~FINISH LINE~~ 150	~~Walgreens~~ 200
~~macy's~~ 100	~~Office DEPOT~~ 300	~~MARKS & SPENCER~~ 30 +
~~AUTHENTIC FOSSIL~~ 113	~~AMERICAN EAGLE OUTFITTERS~~ 150	~~claire's~~ 72 US/ 26 EU
~~Walmart~~ 269	~~JCPenney~~ 80	~~sears kmart~~ 150

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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

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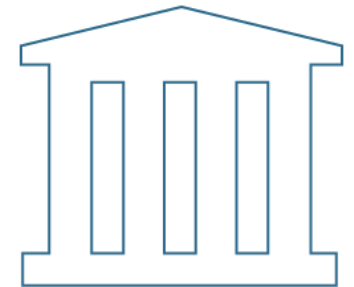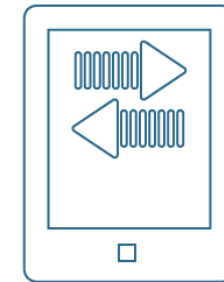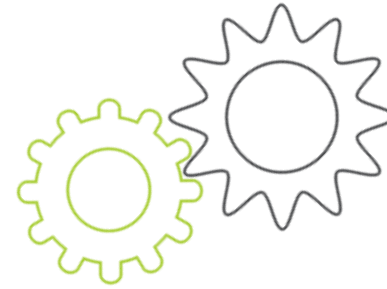
The Industry's Challenges

- 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.

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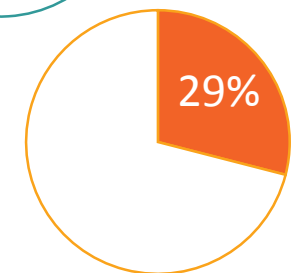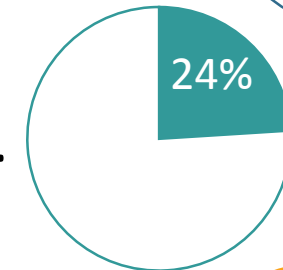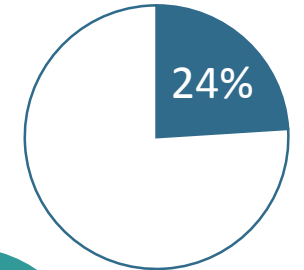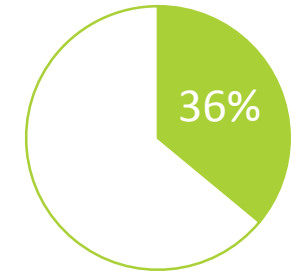
The Industry's Challenges

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).

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Has your e-commerce channel experienced any of the following issues?
(Please check all that apply.)

Issue	Percentage
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%

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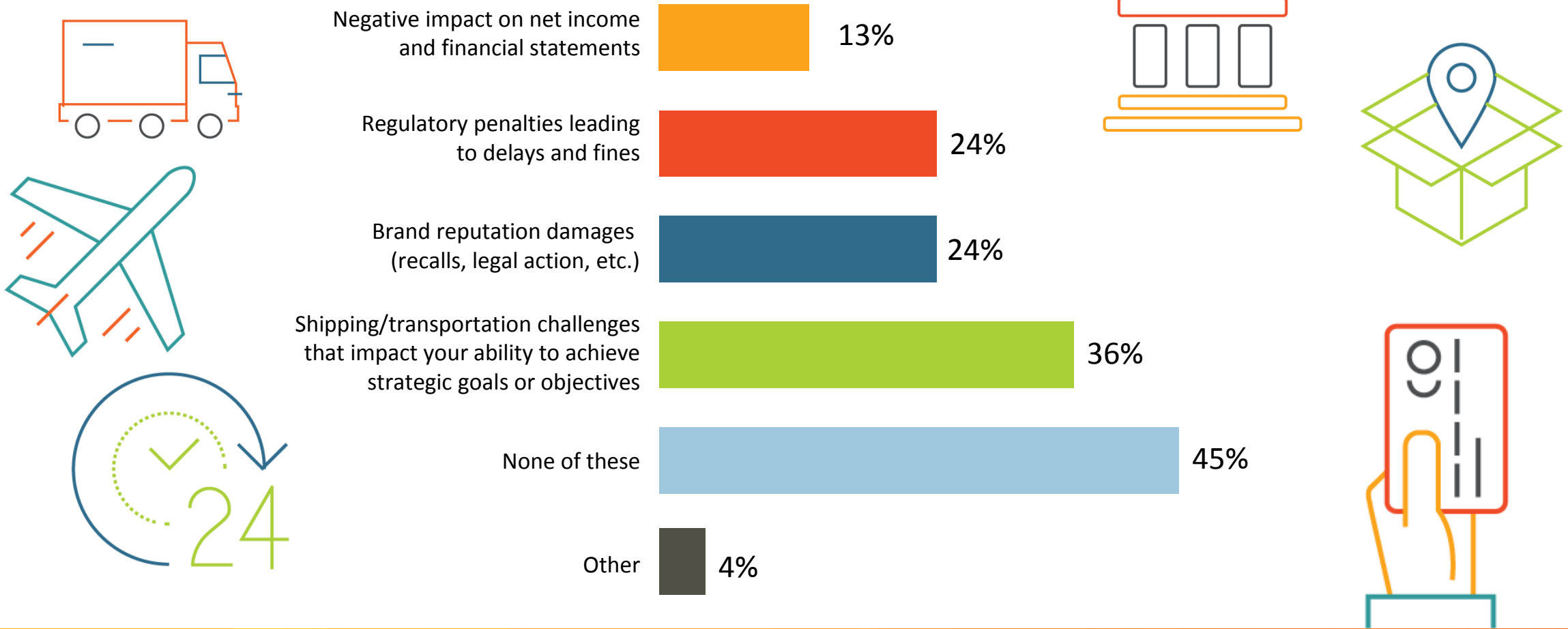
Enabling and Streamlining to Seize the Opportunity

Properly classify goods
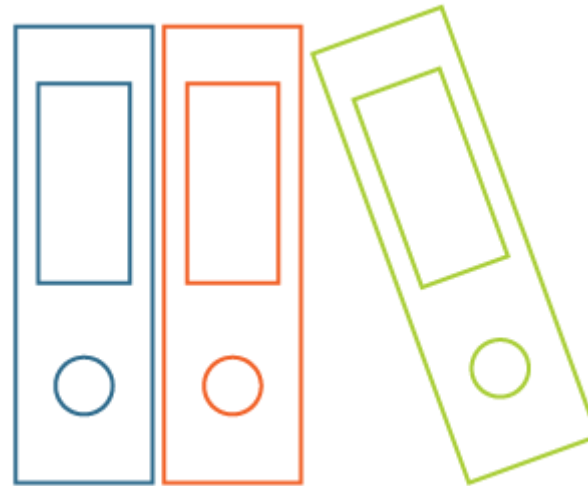
Global trade content

Import/export documentation

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1 Product Catalog Management

Create Product Master

2 Classify Products

Batch and ad-hoc product classification

0 4 895

Chapter | Heading | Subheading | Statistical Suffix

0101 . 21 . 0000

3 Confirm Online Order

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

5 Pick & Pack Visibility

Alerts to the shipper and customer regarding packing and shipment prep/ASN generation

Real-time shipment tracking

4 Apply Trade Content

Screen for restricted parties, licenses and prohibited goods

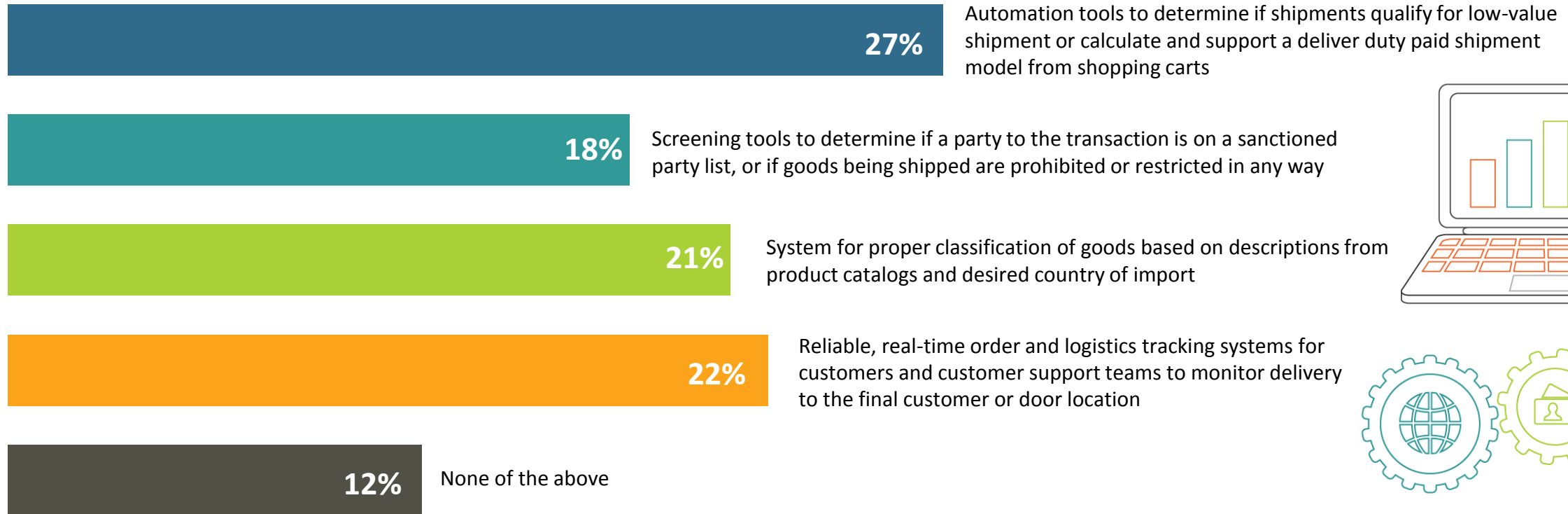**6 Ship & Send to Customer**

Challenges
- 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

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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.)*

27% Automation tools to determine if shipments qualify for low-value shipment or calculate and support a deliver duty paid shipment model from shopping carts

18% 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

21% System for proper classification of goods based on descriptions from product catalogs and desired country of import

22% Reliable, real-time order and logistics tracking systems for customers and customer support teams to monitor delivery to the final customer or door location

12% None of the above

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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

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Questions?

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