

# “Logistics in E-Commerce: How does it work?”.

Madrid, 28th October 2020



# The **history** of cross-border e-commerce

## 2000-2007

- In the early 2000s years it was possible to buy books through amazon.com , from the US and European countries. The only choice then was the service provided by the integrators.
- The service was fast and solid, but expensive.
- Integrators had an “integrated” system of information so they were then the only ones who could control a packet from cradle to grave and give a consistent web tracking .
- In the field of **technology**, only **EDI** protocols were available, but they were rather inflexible and they could not allow a massive interchange of information.

## 2007-2012

- By year 2007, platforms like Aliexpress started shipping e-commerce massively through Universal Postal Union (UPU) international postal services (mainly ordinary mail).
- The service was cheap, but very slow (45-90 days from first to last mile).
- The service was not completely reliable: many packets did not reach the consignee, due to customs problems, packets lost in the way... specially, there were not common customs standards along different countries.
- In the field of **technology**, **FTP** protocols started becoming popular: they allowed the upload of files with massive information, so this protocol allowed the interchange of information between 2 different stakeholders that did not belong to the same organization, but FTP was complicated and not completely reliable.

# The **history** of cross-border e-commerce

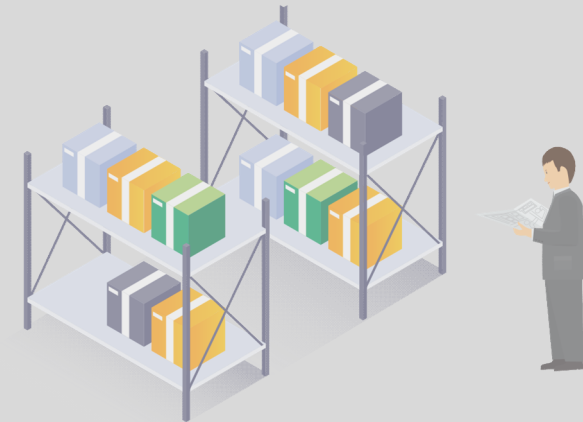
## 2013 -2016

Around year 2013 different events happened at the same time:

- **The UPU and the World Customs Organization (WCO)** settled common protocols for international cross-border packets and documents: now, standard labelling and entry protocols were defined.
- The famous European “**low value**” starts becoming popular: those packets under EUR 22 paid no duties and no VAT, so they crossed easily the import customs of the European Union. A similar low-value system also exists in the USA and in some countries of Latin America.
- The postal services understood the e-commerce would be their salvation after postal documents declined, so they started developing tracking tools and delivery procedures to obtain a faster, safer delivery system.
- In the field of **technology**, XML-Webservices protocols started: this easy, robust, cheap protocol for the massive interchange of information definitively helped the several private links of international supply chain share massively information.

# The **process** of cross-border e-commerce today - I

- A long way had been run since year 2000: e-commerce platforms started using the postal services, which were then safer, but still slow, since the technology protocols of XML had not reached the postal customs.
- So postal customs clearance was still done manually or with old technology, what caused the packets to be stuck in the customs of the country of destination for several days. Postal services had run a long way in terms of safety, tracking... but there was still a last stone in the way: the slow postal customs.
- To solve the above problem, by year 2016 a new system for cross-border was born: the so-called direct injection: some freight-forwarders and local courier companies of different continents started coordinating efforts: solid XML protocols made it possible.

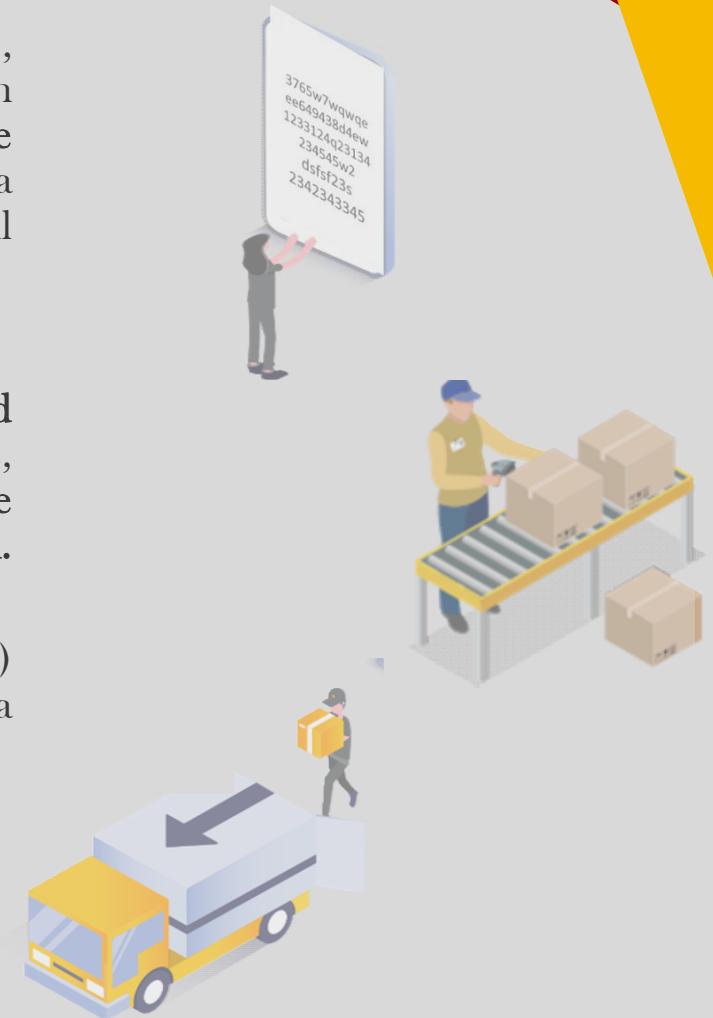


# The **process** of cross-border e-commerce today - II

1. A final customer may click on a product he likes. The web offers him/her different choices for transportation: international postal service / integrator service / private courier service.
2. After transportation choice, the final customer gets final DDP price, that is, the final bill including local tax and full transportation service to his/her home or preferred delivery point. Last payment click allows an incredible process where ten - twelve different companies will intervene.
3. A few seconds/minutes after payment click, the market place will inform the customer about the shipment number: this is the label number of the last-mile domestic service. Most times, it will be the label of a domestic postal service (e.gr, a Spanish Post, a Laposte, or a Deutsche Post reference number) . This label number will accompany the packet from the cradle to the grave, since it will be shared by all the links that intervene in the long supply chain of cross-border e-commerce.

# The **process** of cross-border e-commerce today - III

4. The domestic postal services give a stock of their numbers to the platforms, so once the last click is done, the platform checks the sort of service chosen and the country of destination, **and it assigns a number of this stock to the packet.** For example, if the packet goes to Spain, the platform will assign a number of Correos Spain. If the packet goes to France, the platform will assign a number of domestic Laposte service to the packet...
5. The fulfillment center will pick the purchase from the storage shelves **and will stick a label on it:** the label will contain the full details of the consignee, the code for the type of last mile service and the shipment number. **The fulfilment will share different milestones with the e-commerce platform.**
6. A trucking company will take the cartons to the airport (PVG, HKG...) where a freight forwarder specialist in e-commerce will consolidate them in a mawb.



# The **process** of cross-border e-commerce today - IV

7. Simultaneously, this freight-forwarder will build a new XML file that contains all infos of the manifest (shipper´s, consignee´s, label number, mawb number, type of last mile service...) and will upload it in the Webservices of the customs broker of the country of destination. Besides this freight forwarder will feed the Webservices of the platforms with new milestones that the final customer may check on his mobile
8. Besides the freight forwarder will build a prealert with these docs: mawb copy and an Excel that contains the details of all the individual shipments and will email to the customs broker of the country of destination, so that customs staff is aware of the arrival of a new mawb with e-commerce. Now the packets are ready to fly to destination



# The **process** of cross-border e-commerce today - V

9. Once that mawb flew and arrived to the country of destination, the customs broker will pick it up and bring it to its temporary customs warehouse (also called TS90) where the customs broker will use the information from the XML to feed the Customs System and perform import customs formalities, fast and massively. The customs broker will feed the web of the platform with new milestones.
10. The customs broker will share the XML information with the last mile service and will hand-over the cartons to them. It will be normally a postal service. Now postal services will do only what they do best: last mile in their local countries, since direct injection saved them the headache of clearing customs packet by packet.
11. The last mile service will deliver the packet to consignee and will finish the process with the milestone **DELIVERED**.

How long does it take from the cradle (the last click) to the grave (**DELIVERED**)?

It can take from 6 to 16 days in destinations like the European Union or the USA or from 9 to 20 in some destinations of Latin America. A big improve as compared to UPU international service.





# The **process** of cross-border e-commerce today - VI

- The advantages of direct injection are:
  1. It is as fast and robust as the integrator's service but
  2. It is as cheap as the international postal service

There are also combinations of direct injection and international UPU postal services, that is the example of packets that fly to the European Union as airfreight but they will leave the EU with UPU international postal CN documents and they will be cleared and delivered in the country of destination by the postal services. This mixed system has proved very efficient in a huge country like Brazil.

# The **future** of cross-border e-commerce -I

- In the European Union, the European Commission has launched the **new VAT Directive 2017/2455** that will revolution the way packets cross customs and pay tax. This new system will definitively affect the way e-commerce is sold and will affect its supply chain. This new VAT Directive will put in force **from the 1st July 2021** the so-called **IOSS** (Import One Stop Shop) system. The USA or the UK are working on similar solutions.
- The new **IOSS** system brings these new procedures
  1. The so-call **low-value will disappear**. From 1st July 2021, all packets from EUR 0,01 to EUR 150 that accomplish B2C conditions **will pay no duties but all of them will pay for the VAT of the country of the final customer**, that is, a packet destination Spain will pay the 21% of Spanish VAT, while a packet destination Portugal will pay the 23% of Portuguese VAT. For this reason, the seller will need to include the VAT of the country of destination in the last click.



## The **future** of cross-border e-commerce -II

2. The seller will have to join IOSS system either directly ( suitable for big sellers, important brands or big platforms) or join indirectly, by choosing an Intermediary (the intermediary will be a sort of tax representative and will tackle with EU Tax Authorities and will make VAT payments in the name of the seller).
3. The seller that joins IOSS directly has to choose one country of inscription, where he will pay for all the VAT that he collected in the last clicks. If the seller joined IOSS indirectly, his inscription will be done in the country of his intermediary and the joint payment of VAT will be done in the EU Member where the intermediary is established.

## The future of cross-border e-commerce -III

4. The above means that, for example, a platform that chose Spain as its country of IOSS inscription will pay in Spain the VAT he collected at the click for sales done to German, French, Slovenian, Swedish... customers. Later, the Spanish Tax Department will reimburse the VAT to German, French, Slovenian and Swedish Tax Departments respectively.
5. All the Customs Authorities of all Member States of the European Union will share the same rules and protocols: the VAT Directive 2017/2455 clearly says all of them have to follow the same protocols.

# The **process** of cross-border e-commerce and **the Brexit - I**

- From 1st January 2021 the goods traffics between the European Union and the United Kingdom will go through Customs, no matter the final deal both entities reach finally.
- If goods travel **BY AIR** between the United Kingdom and the European Union, in the case of those **goods exported from UK destination EU**, the customs procedures will not be too different of those when goods are sent from China to the EU:
  1. In the UK, the exporter will need to raise **export declarations**. In case the goods to be exported need inspections (health, phytosanitary...) the export customs broker will need to issue enough paperwork to be able to clear those inspections.
  2. In the EU the airline (or the import GHA or the import customs broker) will need to issue an **Entry Summary Declaration (ENS)**. This procedure is established for security reasons: 4h earlier than flight arrival, or, in the case of the UK, since it is a short flight, they will be allowed to lodge the ENS just before the flight departure. ENS allows the EU Customs Authorities to make the so-called **risk analysis**.



## The **process** of cross-border e-commerce and **the Brexit - II**

3. In the EU, the airline (or the import GHA) will need to lodge the so-called **summary declaration of temporary storage** for all the mawbs the flight carries.
4. In the EU, if the goods are subject to inspection formalities (health, fitosanitary...), the customs broker needs to ask the different inspection institutions for inspection. Once this is done, the customs broker will be allowed to **issue import declarations** (either B2B or B2C).
5. In the case of **goods exported from the EU to the UK by air**: the **EU exporter will need to issue export customs declarations** and in case the goods are subject to inspection, to raise the inspections. The airline or GHA will lodge the export customs exit (the so-called ECS formalities).



# The **process** of cross-border e-commerce and **the Brexit - III**

If goods travel **BY ROAD** between the United Kingdom and the European Union

1. Road transportation between the UK and the EU is very popular, either by using the trains under the Channel or by using the ferries who cross La Manche. If this is your case, the customs procedures are different of those for airfreight. UK signed the EU transit convention, so road traffics will be covered with transit documents (T1/T2).
2. If goods travel by road between the UK and the EU, in the case of those goods exported from UK destination EU, the truck will need to go to the temporary customs warehouse of a customs broker:
  - In case the goods to be exported are subject to **inspection formalities** (health, phytosanitary...) the export customs broker will need to go through the inspections and collect all needed documents to allow export
  - In case of goods **B2B**, the customs broker in the UK will need to issue an export customs declaration (**SAD** - single administrative document - or its equivalent in the UK) and write in the T1 the SAD #
  - In case of goods **B2C**, a single-resume of all B2C shipments will be written on the T1 doc



## The **process** of cross-border e-commerce and **the Brexit - IV**

3. After the T1 has been rightly issued, the customs broker will need to print the so-called **NCTS** (new customs transit system) document and give it to the driver. To finish, the customs broker must seal the truck and **make some export formalities** (export control system - ECS). Now, the truck is ready to depart to the Channel. The driver needs to drive straight to **Dover**, the truck is not allowed do stops to load/unload goods in the way.
4. When the truck **arrives in Dover** - either to the train or to the ferry terminals - **UK Customs Authorities** will read the number of the **NCTS** document. If everything was done ok, the truck will be allowed to access the train / ferry.
5. Earlier than truck access to the train/ferry, the truck company / a customs broker **established in the EU** needs to lodge the **ENS** (entry summary declaration - ICS formalities) to **Calais Customs Authorities**, so that they can do the **risk analysis**.
6. Once the train/ferry reaches **Calais**, there will be a plate-number reader at the exit. If the truck is not called for inspection, it will be directed to the green line, so the **driver does not need to stop at Calais Customs** and may drive **straight to his destination**. If the driver was advised in the screens of the train/ferry or the plate number recognition sends him to the red line, the truck will have to stop at **Calais BIP** in the train/ferry terminal for import formalities / inspection.



## The **process** of cross-border e-commerce and the **Brexit - V**

7. After the truck leaves Calais train/ferry terminal, - it needs to drive straight to the **temporary customs warehouse stated in the NCTS**. Again, the truck is not allowed to make intermediary stops to load/offload goods on the way.
8. The **temporary customs warehouse** does not have to be in France, it may be **situated in any of the 27 EU Member States of the EU**. but the truck may follow non-stop till its country of destination and stop in the temporary customs warehouse of its country of destination stated in the NCTS.
9. When the truck arrives to the temporary customs warehouse of destination, the customs broker will receive the **T1**.
10. Now, the import customs broker may lodge the **import declarations** in his temporary customs warehouse: import-SAD in the case of B2B shipments or the simplified import declarations for B2C packets.

## The **process** of cross-border e-commerce and **the Brexit - VI**

In the case of the **EXPORTS** from the **EU** to the **UK BY ROAD** the process is indeed inverse to that one from the **UK** to the **EU**:

1. The customs broker will need to issue the same **export formalities** for **B2B** or **B2C** shipments. In case of goods subject to inspections, the customs broker will need to clear them in advance.
2. When export formalities are done, the customs broker in the **EU** will issue a **T2 document**, and, again, will print a copy of the **NCTS** doc to the driver. .
3. After sealing the truck, the driver will have to go non-stop to Calais border.
4. Once the truck crossed to **Dover**, if the truck is subject to inspection, it will need to stop to clear formalities. If it was not subject to inspection, the truck needs to go non-stop to the temporary Customs warehouse in the **UK**, where import formalities will be done.



## The services performed by **CACESA**

- **CACESA** is a Spanish freight forwarder, Courier Company, postal operator and Customs broker owned by Iberia Airlines. Since the merger between Iberia and British Airways in 2011, today CACESA is part of IAG Group.
- Since 2015, Cacesa has been performing cross-border e-commerce activities. In 2020, Cacesa will finish the year with around 70 Million of e-commerce packets handled (circa 65 M destination EU and 5 M destination Brazil).
- Cacesa has offices in Spain, Belgium. It has recently opened offices in Poland and France, and it is in the process of opening in Germany and in the United Kingdom.
- Cacesa has developed a large catalogue of services and has adapted its technology and procedures to help customers accomplish with the new context of IOSS and Brexit.



*Thanks for your attention*

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