



CROSS-BORDER THE EASY WAY

THE PATH TO HAPPY SELLING,
SHIPPING AND RETURNS

INTRODUCTION

In these rapidly changing times nothing is certain, but as eCommerce thrives worldwide with consumers staying in, digital retail is likely to be where growth for any retailer is going to come from.

For many retailers, however, the real vector for long-term growth lies in expanding their sales cross-border. The internet is all but borderless and, with more people looking to buy almost everything online, servicing these customers can be a truly effective way to grow a business.

However, while a logical step, in practice it is not a simple matter of selling stuff to people wherever they are in the world and trousering their Euros, Roubles and Yen. In reality, someone pressing the buy button in one country not only sets in motion a complex chain to get that product to the buyer, but also is just a mid-point in a process that makes sure that they can even buy that product and have it shipped to them in the first place.

To sell cross-border not only involves having the logistical support to get the goods there, but also involves understanding whether or not a product can be sold in that country, what tariffs, duties, taxes and customs charges need to be put on it.

The tax and customs regimes, along with the rules and regulations that surround import and export are extremely complex, different in every country and constantly changing.

Keeping pace with this constantly evolving and shifting environment, especially if you have a sizeable variety of inventory, is a full time job in itself.

However, that is just the technical aspect. In reality, all these factors influence the experience customers have when they shop with you: from whether or not you can actually supply the goods to them, through to how much it actually costs.

Making sure that this information – especially duties and taxes and other factors that impact the price to the consumer is clearly visible throughout the customer journey and are delivered at the point of purchase is becoming crucial.

The experience of buying something only for it to arrive along with an additional bill for taxes or duty or other fees is a bad one. And in the era of social media, bad experience is a distinct no-no. One of the downsides of the explosion in eCommerce is that competition is fierce, so you have to get what you do right.

In this white paper we take a look in more detail at these challenges for the cross-border seller, what they mean in practice and how, using technology, you can manage them all to create not only a best-in-class customer experience, but stay on top of the ever-changing world of duties and taxes, regulations and more.

Featuring expert insight, top practical tips and even a visual guide to delivering the perfect customer journey, we outline what it means for retailers, marketplaces and carriers and what pitfalls to look out for on this exciting eCommerce journey into new territories.

Paul Skeldon, Contributing Editor, Tamebay



SPONSOR'S INTRODUCTION

There has never been a better time to be involved in eCommerce and, for those with even bigger ambitions, cross-border eCommerce.

The numbers are eye-watering. According to Statista, total global eCommerce sales in 2019 were \$3.5trillion, expected to grow to \$6.5trillion by 2023. Of this, as much as 22 per cent is predicted to be cross-border.

Over 103 billion parcels were shipped in 2019, according to Pitney Bowes, a number that is forecast to double by 2026.

However, as in all businesses and sectors, there will be winners and losers.

Some will be more successful because, during the near recent exponential growth in online shopping, they have gained first mover advantage. One good example of this is the global fashion e-retailer Missguided, which deservedly features as a case study elsewhere in this white paper.

But setting up and scaling online is by no means straightforward and is, increasingly, fraught with challenges.

Top of the list are the ever-growing regulatory pressures facing all parts of the cross-border eCommerce supply chain including merchants, marketplaces, platforms, postal operators, carriers and logistics providers.

Hurricane has been working closely with customers in all of these industries, enabling them to be prepared for some seismic regulatory changes from the start of 2021.

They include the US STOP Act which will see the United States Postal Service and US Customs and Border Protection start rejecting mail parcels that do not have the necessary complete and valid customs clearance data.

Hurricane is predicting that as things stand, several hundred million parcels stand to be refused entry into the US because they will not meet the required higher threshold of advanced electronic data.

For UK merchants transacting into the EU and EU merchants doing cross-border trade into the UK, there will be similar requirements for complete and valid data on goods.

The UK and EU are also removing the exemption from VAT on low value items while many countries around the world have started to change their VAT rates in the wake of Covid-19.

And, if all of this was not enough, merchants and their supply chain partners also have to ensure that they are not breaking the law by allowing prohibited and restricted goods to be sold into countries that don't allow them, or selling and

transporting items to so-called denied parties.

The good news is that the technology exists to tackle these and other challenges head on, ensuring the smooth flow of goods to customers wherever they are in the world.

Hurricane's game-changing APIs are helping our customers to have the right business processes in place, supporting on data enhancement, duty and tax calculation, prohibited and restricted goods screening and denied parties screening.

By doing so, they are not only meeting the immense challenges but also positioning themselves to be one of the winners in the burgeoning world of cross-border eCommerce.

Martyn Noble, Chairman & CEO of Hurricane Commerce



Hurricane 
Enabling seamless cross-border eCommerce

THE CHALLENGES OF CROSS-BORDER

Operating a cross-border eCommerce business can yield great rewards, but it comes with a host of challenges. Understanding what these challenges are, where they arise and, most importantly of all, how to meet them is increasingly crucial to modern eCommerce.

There are of course myriad issues with selling from one country into another, many of these issues being specific to the territories being targeted and the goods being sold.

So, what are we looking at and what are the solutions?

DUTIES AND TAXES

While the cultural traditions of the markets you are selling into need to be understood, the real challenge with selling cross-border comes in understanding the duties and tax regimes and rules of all the countries that you sell into.

The big question is whose problem are taxes and duties: retailer, carrier or customer? Retailers may easily be able to list and sell their items online at any price they want, but without understanding the taxes and duties that delivering those goods into that country accrues it immediately becomes a customer and carrier issue.

Take for example someone selling jeans from the US via their UK website into a third country outside the EU. The seller can put them up for, say, \$50 – a bargain – and the consumer thinks ‘great, I will snap those up’ and orders

them. When they arrive, however, the carrier has a bill of \$30 more that has been incurred as a customs charge and adds another \$10 on as an admin fee for handling that.

Suddenly, the consumer, who purchased a \$50 pair of jeans in good faith, finds that they are now costing more like \$90 and weren’t a bargain after all.

The problem doesn’t end there: the consumer refuses to pay and the jeans are sent back, incurring more fees and losing the seller all monies – and losing them a customer.

The problem, as you can see, affects everyone in the value chain. There is, of course, an answer of sorts to this problem – complete and valid data.

COMMODITY CODES

To tackle the problem, commodity codes were developed as part of a globally harmonised system to classify import and export goods and came into force in 1988. These six digit – HS6 – numbers seek to classify all goods so that everyone calls a spade a spade, or a leather-soled, fabric upper indoor slipper shoe, a shoe.

Take for example a shoe. Its HS6 code, recognised worldwide, is 640420. This tells any customs service that what is in the box is a very specific kind of shoe with 64, the Chapter Heading, designating the product type – in this case footwear – 6404 together indicating shoes with leather soles

and textile uppers and 640420 indicating they are for indoor use. So slippers.

For use in the EU and UK – even post-Brexit – there can be an additional four digits – 1000 – added, to also indicate specific taxes, restrictions and other details about the product’s manufacture.

These codes were developed to make it easier for customs the world over to know exactly what goods were moving and apply the right tariffs and duties.

Where it gets more confusing is that the US uses a slightly different version of this system: it insists that all goods have a 10-digit Harmonised Tariff Code Schedule (HTS) number. Here the first six digits are based on HS, while the following four become a local US system of description of product type.

ENSEMBLES

Commodity codes get more tricky when you look at ensembles. In most cases, an ensemble must only contain one item that covers the upper half of the body and one or two different garments designed to cover the lower part of the body. A garment that covers both the upper and lower parts of the body, such as a dress, a playsuit, or jumpsuit cannot form part of an ensemble.

However, there are some exceptions where ensembles may include two upper garments. One of which is a pullover when presented together with a cardigan to form a twinset. A waistcoat can also form a second upper garment, but a lower garment must also be included.

To be classified as an ensemble, the upper and lower garments must be made up entirely in a single identical fabric. This means equivalent in construction, yarn, and colour as if made from a single roll of fabric. Garments classified under heading 6107, 6108, 6109, 6207 and 6208 (Nightwear or Lingerie) cannot be part of an ensemble.

The packaging can take various forms and each garment can be in its own packaging, but when presented to Customs, the ensemble must be presented as a single unit in a form ready for retail sale. Retail packaging includes plain poly bags, labelled retail poly bags or boxes containing one ensemble. The parts of the set must be packaged together. Using adhesive tape to bind two poly bags together does not qualify.

DO I NEED HS CODES?

If you are importing or exporting goods you need to use HS codes as they directly influence the duties and taxes you have to pay. Failure to have the right codes – or no codes at all – can lead to your goods being impounded, delayed, returned or even destroyed by Customs. Perhaps even worse, not having the correct code can lead to a bill for the

difference and even a fine.

At whatever stage you are at with your business – large or small – if you are exporting you need to make sure you have the right commodity codes on your products.

When to apply Customs Commodity Codes is also increasingly a business critical issue. As international eCommerce takes off and is starting to drive retail growth in some sectors, making sure you are commodity code compliant is a vital legal requirement. It can also be used to make sure that when customers buy your goods they pay the right price – as seen in the jeans example.

Calculating the duties and taxes at checkout – to create an accurate picture of what the consumer is going to pay – can be the difference between repeat business and great customer experience or not.

Technology based on artificial intelligence (AI) is increasingly being used to apply the correct commodity codes to products when they are added to a retailer's inventory – removing problems such as that discovered by one customer who found a Chinese retailer selling hairdryers under the 'shampoo' code. With far-from-hilarious consequences.

Using technology, as we shall see further on in this white paper, holds the answer to offering a much better experience and making more money.



REGULATIONS

While understanding duties and taxes is vital for good international business, they are but part of the panoply of 'red tape' that you will have to unravel. Where HS codes mark out what you need to charge, regulations govern pretty much everything else.

And regulations are like shifting sands. Each country has its own range of regulations on everything from health and safety, how many of an item can be sold, what the packaging must include, environmental information and much, much more. Not only that, but these regulations change all the time.

Being part of an official trading bloc offers to some degree a harmonisation of regulation, so selling into any of the countries in that bloc requires the same rules and regulations – and in the case of the EU, customs and tariffs too – to be met.

However, trading outside such blocs or trading in individual countries requires each set of customs, tariffs, rules and regulations to be understood and adhered to. You also have to keep pace with any changes that are made to those rules and regulations on an ongoing basis.

WHY WE HAVE REGULATIONS

All countries have their own trade policies that govern

what they do and don't want to import. If a country has a large domestic industry for one type of goods, it won't want low tariffs on imports of those goods.

The US, say, aren't going to make it cheap to export steel from China or India into its market. This is why there are quotas, tariffs and, as we shall come to, restricted and prohibited items in different markets.

How governments regulate imports and exports depends on a mixture of these quotas and prohibitions, as well as how they tax imports of certain items, either directly through tariffs and customs charges, or through VAT and sales taxes.

And this is where it gets more complicated. Each country has its own duties and tax regulations in place. Many countries have regional sales taxes in place too – and they constantly change and evolve depending on the economic climate.

The US is a prime example. It has import tariffs for goods entering the country, but it also has sales taxes that are managed at a state level.

What those taxes across import, state and city are can also vary depending on the goods in question.

HOW TO MANAGE REGULATIONS

The complex and granular nature of regulations means that staying on top of them is an ongoing – and full-time – job. One of the best ways to manage it is to use a third-party expert that constantly monitors global rules and regulations and updates you as changes happen.

Having a calendar of key changes for the year(s) ahead is one part (see page 8), but managing it is complex and often it is best to use a third-party to help.

Hurricane's Duty & Tax Engine provides a one-stop-shop here for daily updates on all tax, VAT and sales tax changes as they happen. By monitoring 154 countries' import and export rules, tariffs and taxes, it constantly updates users as to what is happening where.

With so many changes – some of which are listed in the panel below – happening at once around Brexit, US STOP Act and COVID-19, it is vital to keep on top of what each nation is doing right now with its trade regulations.

SOME KEY REGULATORY CHANGES TO LOOK OUT FOR

The world of regulation is constantly changing as trade deals come and go and domestic laws shift in different regions and countries. But there are some major changes that will directly affect eCommerce businesses. Here are some to look out for.

BREXIT

To the relief of pretty much everyone, the UK and EU struck an eleventh hour Brexit deal. While the signing of a free trade agreement removes the immediate threat of tariffs, the UK's departure from the EU still means significant change.

As of January 1, 2021, the UK is considered a third country in its relationship with the remaining 27 EU countries. This means that formal customs clearance is required as with items coming from outside of the EU.

Similarly, for exports from the UK, the UK will be considered a third country to the remaining 27 EU countries. This means that formal customs clearance will be required into each of the 27 EU countries for items coming from the UK. The UK has also removed the exemption from VAT on low value items with the EU following suit later in the year.

What does this all mean? It means that having complete

and valid data to ensure the smooth passage of goods through customs has never been more critical in cross-border trade.

Using Hurricane's solutions for product classification, data enhancement and duty and tax calculation can help you navigate Brexit and other compliance changes in 2021.

WHEN: January 2021

POST-COVID TRADE

The economic impact of COVID-19 is yet to be fully realised, but as we start to come out of it, governments around the world are set to look at how best to stimulate their own markets – and that will mean changes to trade regulations, tariffs and quotas. One of the main things we do know is that there is growing political interest in taxing eCommerce and the movement of B2C goods that result from cross-border retail. The EU was planning to introduce this in January 2021, but the pandemic has pushed that back to June 2021. The UK government is also now looking at an eCommerce sales tax to help level the playing field between online and brick-and-mortar retailers – but this is some way off from becoming law.

What is already known in terms of regulatory changes around post-COVID regeneration is that many governments are likely to change their VAT rules (see below). For example, in Germany, the basic rate of VAT has been cut

from 19 to 16% for general goods and from 7 to 5% for food and books. Saudi Arabia, on the other hand, has upped VAT threefold. Both to drive growth. Expect more.

WHEN: Now

VAT MODERNISATION

While individual countries are looking to change VAT to drive growth, it is part of a wider European plan to modernise VAT across Europe for cross-border eCommerce. The International One Stop Shop will make retailers, web shops and marketplaces liable for the declaration and payment of VAT to the country of destination. Meanwhile, new regulations will make an overseas supplier who sends parcels containing goods valued at £135 or less to the UK responsible for paying any import VAT that is due. It also removes low value consignment relief (LVCR) on commercial imports valued at £15 or less. Other countries are expected to follow suit.

WHEN: 2021

US STOP ACT

The US STOP Act requires advanced electronic data entry on all mail parcels. Primarily an anti-drug trafficking law, the act will impact exports to the US.

WHEN: March 15th 2021



US STOP ACT

The Act requires full advance electronic data entry on all mail parcels entering the US.

Minimum customs data requirements include HS6 code, accurate product description, value and sender/receiver details. Full implementation by March 15, 2021. Failure to comply will lead to penalties and severe customs delays.



ICS2

Postal operators will no longer be exempt from having to make entry summary declarations into the Import Control System before moving goods into or through EU customs territory.

As of March 15, 2021, under ICS2, shipments without the right data will no longer be allowed with the likelihood of severe delays in customs and increased costs.



IMPORT ONE STOP SHOP (IOSS)

Modernising of VAT for cross-border eCommerce via the Import One Stop Shop (IOSS) making the retailer, web shop or marketplace liable for the declaration and payment of VAT to the country of destination.

This will replace the obligation to VAT register in every country where sellers are making sales to EU consumers. Due to come into effect in July 2021.



LOW VALUE ITEMS VAT EXEMPTION

Abolition of exemption of VAT on low value items under €22. The changes mean that EU and non-EU sellers will charge VAT at the point of sale for consignments of €150 or below.

The Import One Stop Shop (IOSS) is being introduced to assist with the reporting of VAT charged at the point of sale. Due to be introduced in July 2021.

UK IMPORT VAT CHANGES



New regulations will make an overseas supplier who sends parcels containing goods valued at €135 or less to the UK responsible for paying any import VAT that is due.

Low value consignment relief (LVCR) on commercial imports valued at €15 or less will also be removed. Implementation January 2021.

TERMINAL DUES REVAMP



As of July 1, 2020, countries with imports of more than 75,000 tons of mail from another nation were free to set their own charges for the final delivery of postal traffic from that country.

The agreement affects most eCommerce shipments (anything up to 2kg/4.4lb).

For some countries this will mean approximately a 50% cost increase, whereas for a country like China the increase in delivery costs to the US is likely to be 100% to 135%. Expectations for 2025 are increases of between 165% and 300%.

VAT CHANGES



Many countries are changing their VAT rates in the wake of the Covid-19 pandemic.

Two contrasting cases are Saudi Arabia (increased from 5% to 15%), Germany (reduced from 19% to 16%) as different countries choose to either recover lost revenues or incentivise consumers to spend more.

NZ PROHIBITED GOODS



Tobacco products, tobacco leaf and tobacco refuse became prohibited imports in New Zealand on July 1, 2020, meaning a permit to import these products is now required.

A permit is not required to import cigars, cigarillos, water-pipe tobacco, chewing tobacco, snuff and snus - these exempted items can be imported through international mail.



PROHIBITED AND RESTRICTED AND DENIED PARTIES

Another facet of how markets are protected – of which exporters and importers need to be very aware – are those surrounding prohibited and restricted items and denied parties. These are rules and regulations that lie outside the world of tariffs, quotas and taxes, but are equally as important to know – get it wrong and you could face heavy fines, or worse.

PROHIBITED AND RESTRICTED ITEMS

Prohibited and restricted items are two very different things but as an exporter both are important to be aware of. First off, prohibited items are items that must never be exported to the market that has prohibited them. These often include items such as endangered animals and products thereof, dangerous substances and weapons. There may also be items that are prohibited in some markets on religious grounds, may violate safety regulations in a particular country or are simply banned for economic reasons, such as restricting a domestic product.

Restricted items, on the other hand, are those that can be exported, but which are either limited by number, packaging, labelling or only for certain uses. There may also be restrictions on items based on quarantining or other customs checks.

For example, certain hunting goods such as night vision

scopes, may be restricted for export from the USA to certain countries. Shipping to some countries may require an export licence whereas the same article to another country would not require any licence. These items are restricted and, in some cases, may also be prohibited.

Restrictions on goods, as with duty and tax rates, are constantly changing. Keeping abreast of them is similarly a full-time job. Again, using a third party expert that tracks these changes across all markets is going to be vital to running an acceptable eCommerce export business.

DENIED PARTIES

Denied parties are individuals, entities or organisations that have been placed on one of the many governmental organisations' lists, who have been deemed as parties not to do business with.

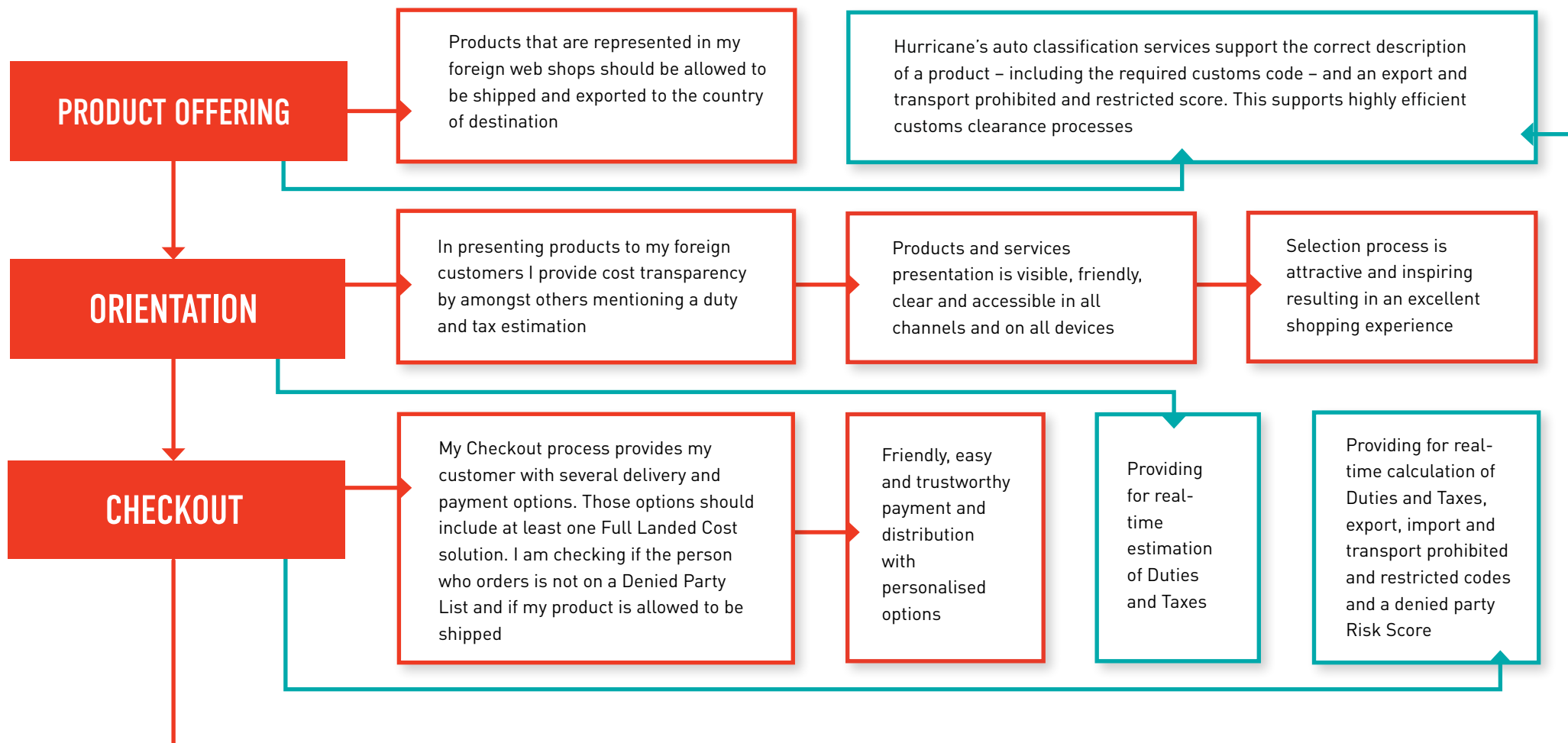
These could be suppliers, retailers and customers that appear on a list. They are typically individuals, entities or organisations that are in violation of various laws that the government has deemed it illegal to do business with. Some of these lists have global or regional reach, whereas others may only be applicable at country level.

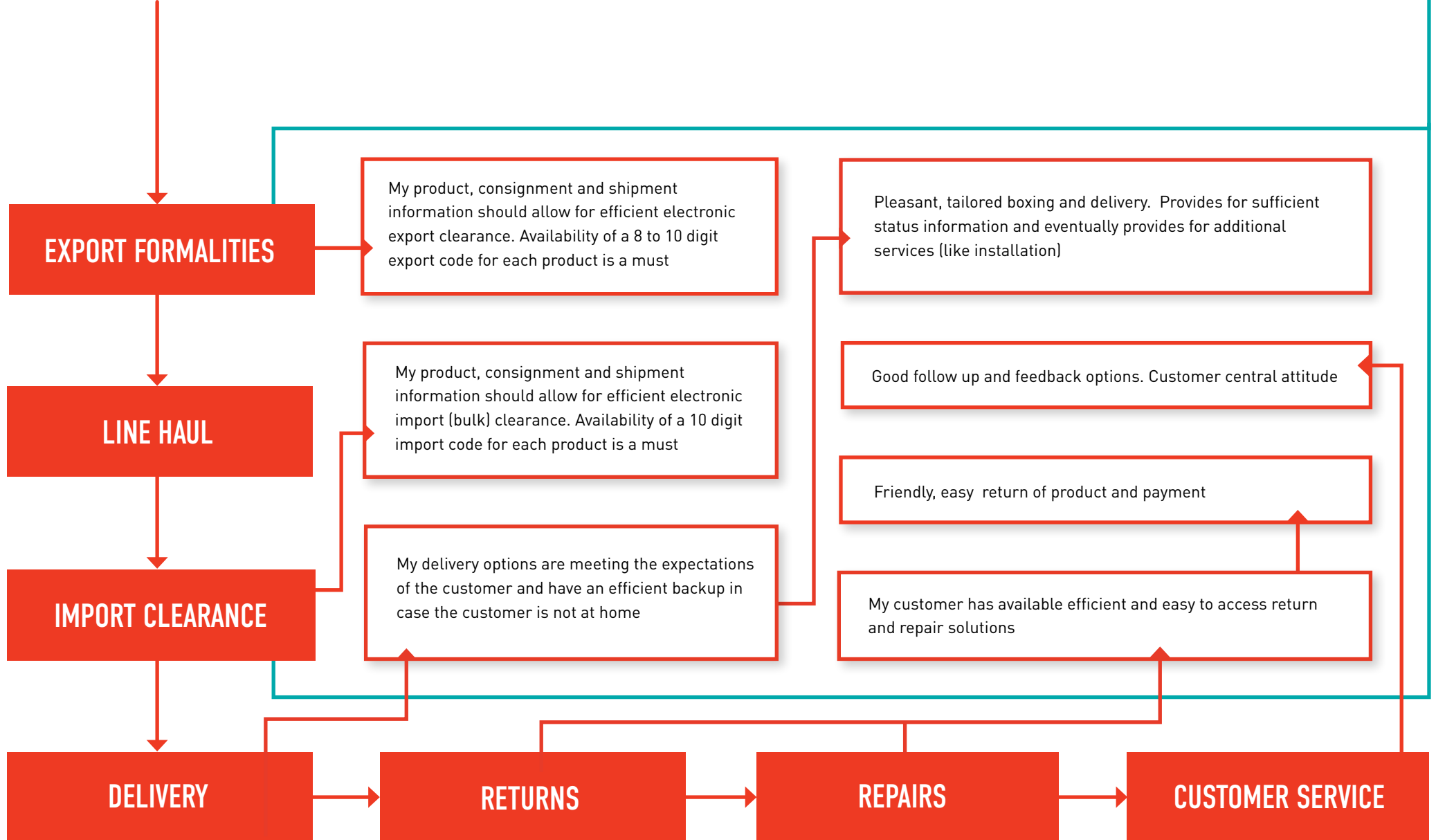
Such a system can also check prohibited items against the market they are being sent to or imported from. For example, if you live in Brussels you can import a bottle of whisky from a US site; if you live in Saudi Arabia you can't.



PICTORIAL PATH TO HAPPINESS

What does the best cross-border online customer experience journey look like?





MEETING THE CHALLENGES

In the previous section, the challenges to cross-border eCommerce have been laid bare – but how do you meet those challenges and stay a thriving business? Depending on what kind of business you are – and what part of the value chain you are servicing – there are different ways of rising to the challenge. There are also many commonalities.

RETAILERS AND PLATFORMS

Retailers and platforms face all the challenges outlined so far – and need to find a way to collect, manage and apply the vast amount of data needed to meet the rules, regulations and laws that apply to cross-border trade.

Retailers also face the challenge of integrating data on charges, costs, shipping times at the point of sale. This makes for a much smoother and more effective customer experience at checkout and simplifies things for the retailer.

The name of the game here is risk mitigation for retailers and systems that can check all aspects of a sale that is going abroad are a vital tool for retailers. The starting point is to make sure that all HS Codes are correct – and in the correct format for where the goods are going – as well as looking to correlate what the codes on the shipping information are compared to what's in the box.

For example, one Chinese retailer was selling hairdryers that it imported with a SKU and HS6 Code for shampoo. Right part of the body, wrong item.

Data systems that can make sure what is in the box correlates with what is on the label take a huge pain point away from retailers.

Similarly, such a system can also check prohibited items against the market they are being sent to or imported from. For example, if you live in Brussels you can buy a hunting knife from a US site; if you live in the UK you can't. It can also find and flag denied parties.

MARKETPLACES

Marketplaces and retailers operating through marketplaces face much the same challenges. For many merchants, marketplaces are used as the place to start selling internationally, as often the marketplace can handle the logistics of international trade.

This means that marketplace owners need to be able to access the same kind of data as pureplay retailers, but apply it across all of their merchants as part of their service offering.

This adds a layer of complexity as a marketplace will feature a range of merchants, often all selling different things. The data needed has to be applicable to that whole range of goods, updated daily and applied at the point of sale.

This means that a merchant selling, say electrical goods, is going to have a different set of data demands, tariffs

and regulatory pressures that need to be applied than, say, someone selling haircare products. Hairdryer sellers have different data needs than those selling shampoo, to continue with that little example from earlier.

The alternative is that the marketplace leaves it in the hands of the merchants to make sure that they are on top of the rules and regulations around their own sales and can apply those either at the point of sale or they will have to do so retroactively – which as we have seen is not good for the customer.

For marketplace operators there are advantages and disadvantages of both, but buying in a data service that will keep on top of all the relevant rules and regulations across all territories, while a cost to the marketplace, does make that marketplace a more preferable place to sell from than one that leaves all that to the seller.

CARRIERS

For carriers there is a similar range of challenges, not least that there are two interlinked modes of challenge around cross-border operations: growth and returns.

From a growth perspective, carriers can play a vital role in helping their customers, the retailers and marketplace sellers meet the challenges of taxes, tariffs and regulations by agglomerating the relevant data and passing it on to merchants.

This can be from operating in multiple markets and having first-hand experience of the changing landscape of rules and regulations – not to mention being au fait with perhaps the more unofficial vagaries of different countries customs and regulatory enforcement on the ground – or it can be by getting the data from the third party expert.

Either way, for a carrier it can be a great selling point to not only be able to affect delivery options, but to also be able to give merchants the relevant data on tariffs and taxes, as well as perhaps shipping times that take into account customs holdups, at the point of sale.

One example of this is Australia Post, which uses data feeds from Hurricane to let merchants that use it as a carrier apply all relevant charges at the point of purchase. This avoids the shock of finding your 'cheap' jeans are anything but, which is great news for the customer, but it also gives Australia Post a rather interesting USP as a carrier. The cost of paying for the data is more than compensated for with the increase in orders that such a slick and transparent system provides.

TRACKING

As we have seen, meeting the challenges of applying the right tariffs, taxes, restrictions and more is a question of data. So, what data do you need and how do you track it?

DATA ENHANCEMENT

Accurate commodity codes will prevent your parcel from being seized by customs, resulting in happy customers. Simple.

On a consignment by consignment basis a system that checks the match between the HS6 code and the product description is vital.

Hurricane's APIs can also identify any invalid descriptions and will return a status code for each consignment, including a provision of the most likely HS6 code, product description, 8-digit export code and 10-digit import code.

This consignment data is required by customs authorities globally.

DUTY AND TAX CALCULATIONS

What business doesn't want better customer experience and improved revenues? Technology solutions that provide real-time calculation of duty and taxes applied by customs in the country where the cross-border e-shopper resides are vital.

The Hurricane engine can calculate the Duty Rate, Tax Rate, Duty Payable and Tax Payable – in the currency of the sending or destination country.

PROHIBITED AND RESTRICTED GOODS SCREENING

Every country has its own set of rules on what can and can't be imported under any circumstances. This includes goods that can only be imported via special licences and permissions.

These rules don't differ depending on the exporting country. The rules of the receiving country apply to everything moving into their country. Hurricane has carried out deep analysis of restrictions and requirements for importing, exporting and transporting goods in 150 countries, covering over 95% of global GDP. It also provides feedback of prohibited and restricted codes for which a narrative is available.

DENIED PARTY SCREENING

A bruised avocado is the ultimate form of deceit. There's no way to tell until it's too late. Some bad guys are just as sneaky. Luckily, Hurricane's APIs have access to global denied party lists, meaning no bad guys (or disappointing avocados) get through. Real-time identification of persons or entities with whom it is not permitted to engage in certain transactions such as sending products or goods can also protect your business from dealing with criminal groups that could also cause financial damage to your business and to your reputation.

MEASURING SUCCESS

Getting it right should be success enough, but investing in meeting these export challenges needs to have a measure. There are many ways to measure the success of what you are doing – increased sales in foreign markets, more customers, fewer returns and refunds and fewer unexpected charges, customs impoundments and fines. All of these can be measured and quantified – but what it really comes down to is what your customers do.

CUSTOMER EXPERIENCE

As international orders grow, social media groans will be louder – how can you build great customer service based on data and how can that help with cross-border issues?

It all comes down to getting the customer experience right. This means getting a few things lined up and built into your processes. Good customer experiences build loyalty and brand loyalty is increasingly key to business growth and expansion. Word travels fast across social media and review sites: make sure you keep up.

CUSTOMS DUTIES AND TAX TRANSPARENCY

As we have seen with the example of importing jeans, the biggest thing any retailer can do is be utterly upfront and transparent with the cost of the goods – and this means linked in to the checkout process all customs duties, taxes and tariffs so that it is totally clear how much this is going to cost.

If the shopper doesn't get visibility of those costs at checkout, or through the browsing selection, they will get a nasty shock on receipt of the goods and being handed a bill. Worse, they may find that while they thought their credit or debit card was being debited by £X, they then find it was £2X thanks to additional costs. Do this and they won't come back – or worse, they will take to social media to flame you (and not come back).

Without access to the right data on costs, there is the very real risk that they will be paying more than they think.

It is vital to provide that information at checkout. If you can't, then at the very least they have to be informed at the point of checkout that other charges will be applied. This will probably cost you the sale.

BUILDING A FRONT-END EXPERIENCE

To create this transparency and to build customer loyalty means getting the front end right. An excellent website is a given these days, it is the first thing that many shoppers see and making it easy to use and navigate is essential. But building in the above transparency is also essential when selling cross-border.

This means flagging up at every stage information that gives the consumer confidence that the service they are partaking in is compliant with all the relevant regulations and, where applicable, it needs to be explained how transparent or

otherwise pricing and, as we see below, shipping details and times actually are.

This means building in to the whole site, not just at checkout, the compliance. While transparency of price is key at the payment point, it is also key to whether a shopper can or can't buy certain goods in certain regions.

If your site services multiple markets, or your site in each market is fed from a central database of SKUs, you may face the issue of offering for sale things that are prohibited or restricted in one country but not another.

Making sure that you only display what you can sell in any given region is vitally important to building customer experience and loyalty.

Likewise, prices will be different from region to region and this needs to be clarified right the way through the shopping journey.

Any great work that's been done in the front-facing web design, browse, speed of selection and checkout is easily impacted if transparency and customer communication is not seen as honest and fair for the rest of the supply chain and final mile promise.

DELIVERY EXPERIENCE

Delivery expectations and experience are also key. As outlined above, different regions have different rules, which may impact how long delivery will take, what charges may be levied thereon and indeed what it means for returns.

In some countries, payment on delivery is acceptable, in others it isn't. Either way the cost has to be clear at the outset. You can't charge someone a different amount on their doorstep to what they were expecting when they clicked the buy button.

Similarly, delivery options – next day, 2-4 working days and so on – will all be impacted by where the goods are coming from and going to, not to mention which countries they may have to pass through on the way. This means that understanding the rules around customs procedures in each country is vital when outlining delivery options to the buyer.

The main thing is keeping people informed. Before the order is even packed, the parcel journey is fraught with costs or comms that do nothing to build brand loyalty and social advocacy.

HOW WELL ARE YOU DOING AND HOW DO YOU KNOW?

As with all things you do with your business, especially online, it requires metrics to understand just how well you

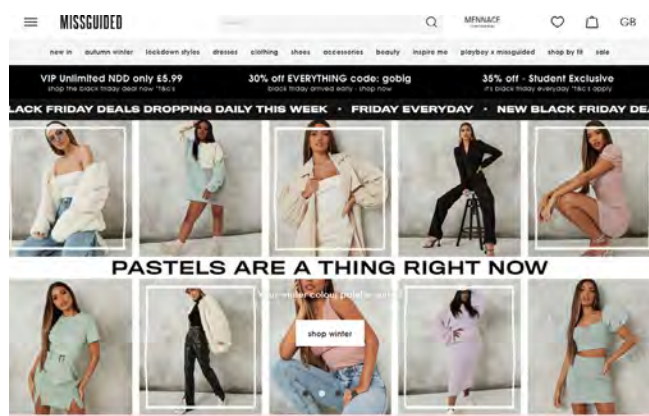
are doing with this.

Social media will give you an idea of those that are unhappy – you may be lucky and get someone to post how great the experience was, but it is unlikely – as well as review sites.

A more hard-and-fast metric is how your sales across different markets are growing: the more people are buying, the more likely you are doing it right. A better metric is to assess where sales are dropping off, where abandoned carts are growing and where traffic is low.



CASE STUDIES



MISSGUIDED: ON TREND WITH CROSS-BORDER

"Wherever you sell, it all comes down to customer experience." So says Paul Miller, supply chain director at fashion retailer Missguided. And this plays through from front-end merchandising and website look and feel to tax and duties when selling cross-border.

"We sell approximately 50:50 between the UK and overseas markets," says Miller, "typically into the US and Europe, as well as other 'rest of the world' markets such as Australia and others." Across all these markets, there is a plethora of tax regimes, different for each country and, in the case of the US, different from state to state and even city to city. You can even find one side of the street has one tax code and the

other a different one.

In Europe, VAT varies from country to country and can be different for different types of items, too.

If that isn't complex enough, these taxes and duties can change rapidly as tax holidays are introduced on certain items to promote sales, as VAT rates are cut to help encourage consumers – as has happened in Germany among other countries during the coronavirus pandemic – and depending on how large a basket the shopper is buying.

"It is very complex, especially in the US, and it can have a huge impact on customer experience," says Miller. "The shopper has found what they are looking for, they have put it in their basket and then they either get a message at checkout, or they will have to pay X more to receive the goods due to tax and you can easily lose the sale."

So to avoid this, retailers such as Missguided have to keep on top of the ever-changing tax regulations in the markets that they service to make sure that the customer experience is at an optimum – especially in these highly competitive times where everyone is selling online.

"We already use Hurricane for denied parties and harmonisation codes," says Miller. "It is vital to keep customers on side and point of sale is a big part of that. We couldn't do it without the specialisation that Hurricane and other third parties give you," says Miller. With Brexit

now a reality, it is going to be more important than ever to understand what the post-Brexit VAT landscape is going to look like.





AN POST: DRIVING CROSS-BORDER AND ENVIRONMENTAL EFFICIENCY

The epithet “Neither snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds” has long been associated with the American postal worker, but this unofficial motto applies to all the world’s postal services. They are among the most trusted brands in the world and, with the boom in global eCommerce, increasingly vital to keeping retail in business.

And sitting behind the modern postal system and its success lies data. Understanding what is being sent, from where to whom and making sure it gets there quickly and by the path of least resistance, is increasingly key to meeting customer

demands, meeting sustainability targets and keeping costs down.

Cyril Mc Grane, director of international trade at Irish state post company An Post, understands this better than most. Keeping the post running and meeting all the many regulations associated with burgeoning international trade – both into and out of Ireland – relies, he says, on clean data.

“To deliver quality of service, on-time delivery, continuity and above all trust, means having clean and reliable data,” he says.

Global postal services face a barrage of issues right now: exploding levels of eCommerce caused by the pandemic are piling on the pressure to deliver accurately and speedily, while making all that trucking and shipping environmentally sustainable puts a lot of pressure on organisations such as An Post.

Couple that with the implementation of the US STOP Act, Customs 2020, Import Control System 2 (ICS2) and, of course, Brexit (see page 8) and being able to offer a rapid, accurate and properly billed postal service for goods being shipped all over the world becomes very challenging.

ICS2 alone means trying to unify and align data from some 178 different countries so that postal carriers can make entry summary declarations on all packets and parcels. All

this is in addition to having to keep tabs of 36,000 codes, as well as changing tariffs and duties. It is a tough challenge.

An Post is working with Hurricane to use its Zephyr solution to enhance parcel data quality for advance electronic data on mail parcels to help meet these challenges and to future-proof An Post’s expanding cross-border business.

The Zephyr data enhancement product allows bulk clearance facilities to check the accuracy of data including product descriptions and HS6 codes and receive additional pertinent or missing information all under a single quick check function.

Zephyr can process more than 700 million requests a day and can, on an item by item API call basis, provide for a real-time feedback with response times of 100 milliseconds. The screening of a file consisting of a maximum of 10,000 items that is sent to Hurricane takes no more than 15 minutes.

“Clean, accurate electronic data helps us meet the changing rules and regulations, as well as making our business more efficient and sustainable,” says Mc Grane. “It helps us with customs, helps mitigate delays and is a way to monitor costs, and is a key enabler for route optimisation – which ultimately helps us deliver a more sustainable business.”



VERTEX: AUTOMATING TAX IN A RAPIDLY CHANGING WORLD

One of the biggest challenges for retailers and brands looking to operate cross-border is tax. Tax rules are different in each country and, in many larger countries such as the US, they even vary from state to state within a country. In fact, the US has more than 12,000 tax jurisdictions – none of them static.

Factor in the impact of the coronavirus pandemic, which has seen many nations and states alter their tax levels to promote sales or raise revenue and things get more complicated. Germany, for instance, cut its VAT rate at the start of the pandemic.

Understanding and managing the tax that needs to be applied to goods being sold cross-border is, then, something of a full-time job. For many SMEs, it simply isn't practical to employ a vast team of people to monitor the ongoing tax situation in numerous markets and keep updating the eCommerce system – That is where tax automation software can help.

Vertex is one company that supplies such software and which works in partnership with Hurricane to bring its vast international tax expertise to bear for retailers and brands.

"We are a software provider that provides software that calculates indirect taxes – including VAT and sales and use tax – on global sales for enterprise companies like Walmart, Starbucks, Lego, Patagonia, as well as for many eCommerce players worldwide," explains Oliver Froehlich, channel lead Europe, at Vertex. "This is because taxes are challenging – and companies have to stay compliant."

The US has thousands of tax jurisdictions, as well as tax holidays and changing rates, explains Froehlich. Brazil and Europe are also rapidly changing their tax regimes during the pandemic, while Brexit is also likely to see tax changes for the UK selling to Europe and elsewhere.

"It can be hard keeping track of all these changes everywhere, so we do it for you," he says.

To do this, Vertex employs hundreds of people to monitor every product in every jurisdiction and continually updates the data on its tax status, which is fed into its software that users can then tap into to apply to their products, safe in the knowledge that what they are selling cross-border is collecting the right tax – and giving the shopper the correct price at point of purchase.

"We work in the same eco-system as Hurricane and between us we can offer a constant feed of tax and customs data for retailers and brands, so that all their sales are correctly priced," adds Froehlich.

With cross-border eCommerce on the up, driven by the pandemic, and with taxes and customs rules shifting all the time as a result of this and, in some cases, Brexit, it is vital that businesses tap into these sorts of services to automate what is a very complex, but business-critical operation.

ACTION POINTS

Selling cross-border is an exciting and vital way to grow any eCommerce business – but there are challenges as we have seen. Here are the key actions you need to take to make your business ready for better cross-border operations. Stick to these and any market can be opened up.

GET ON TOP OF DUTIES AND TAXES

There are many hidden costs to selling overseas. While the logistical challenges of getting a website in the right language and carriers that can get the goods there are the ones many focus on, the costs of duties and taxes are often overlooked. When opening up a new geography it is vital to understand what the duties and taxes are for the goods you are selling in the markets you are selling them into. Each country has its own duties and tax regime – and within some countries each state or province or even individual cities have their own taxes – which can change. Knowing at any point what these charges are is key to offering the right price to the consumer.

KEEP PACE WITH EVER-CHANGING REGULATIONS

Regulations, like taxes and duties, are also different from country to country. What is acceptable to sell in one country isn't in another. This can be for all sorts of reasons – health and safety, domestic supply and even religious reasons – and will vary from country to country. The regulations also have a habit of changing, so keeping pace with them is vital. As the world enters a phase of post-COVID rebuilding, many

regulations – as well as many taxes and duties – are going to change, at least temporarily, as part of individual nations' attempts to rebuild their economies.

UNDERSTAND PROHIBITED AND RESTRICTED ITEMS

Many markets restrict or even ban the sale of certain items, often to protect their own domestic industries or for moral, cultural and religious reasons. In some countries, religious beliefs prohibit the sale of certain goods and services. In others, there are restrictions on the volume of certain items that can be sold. Dealing in endangered species or trafficking certain animals and goods is prohibited. Things that harm the environment or that are very dangerous are usually restricted and subject to strict rules. While prohibition often is set in stone – especially if it is culturally or religiously driven – restrictions on items can be more of a moveable feast. Understanding what is restricted, where and when is vital in what you market to different regions and dictates much of what you can sell.

KNOW WHO ARE DENIED PARTIES

In a similar vein to prohibited and restricted items, there are also individuals, companies and organisations that it is prohibited to sell to and buy from. Those that have been convicted of certain crimes – drug trafficking, money laundering etc. – are the usual suspects, but it can also revolve around animal cruelty or environmental damage. It may also be political. The bottom line is that you need to

know who you can and can't do business with.

TRANSPARENCY FOR THE CUSTOMER

With all of these rules, regulations, prohibitions and restrictions in place in different countries and regions – as well as often being changeable in their implementation themselves – there is a need in cross-border eCommerce to be transparent to the consumer in exactly what they can and can't buy, how much it will cost them and when they are likely to get it delivered. Offering prohibited items for sale is going to land you in jail, offering restricted items could see your goods impounded and cost you a fine, while getting the tax and duties charges wrong can see the end customer forced to hand over money to the delivery driver to settle up. All of these are bad for business, so make it clear all the way through the purchase process what is happening and how much it costs.

WORK WITH THIRD PARTIES

Staying on top of all this information, especially across multiple markets and multiple regions and territories is a full-time job. It can also be, even for someone dedicated to doing it, a hugely complex undertaking, having to be aware of all the tax, customs, regulatory and political changes and nuances in each country on literally a day-by-day basis. While you can do it, it is often better to hand over this sort of non-core activity to an expert third-party expert.

Using a cross-border eCommerce specialist like Hurricane, an expert in data enhancement, duty and tax calculation, prohibited and restricted goods screening and denied parties screening, on a day-to-day basis gives your business the best chance of remaining compliant and growing your revenues. Because it does all this for many companies you get to reap the economies of scale, accessing the latest and best data.

PLUG IT IN TO YOUR PLATFORM

Plugging this into your eCommerce system will also then allow you to make sure that as shoppers from different regions browse and shop, they see only those things that they are allowed to import, in the volume they are allowed to buy and the full price they are going to pay. Building in taxes, duties, VAT and customs fees at the point of sale makes the whole process transparent and avoids the deal-breaker of the goods arriving along with an additional charge. This can cost you customers and get you flamed on social media, worldwide, hitting all sales.

IT ALL ADDS UP TO CUSTOMER EXPERIENCE AND LOYALTY

Putting all this together means that you can use your cross-border eCommerce operation to drive customer loyalty to your brand. Building a business and maintaining a business all rely these days on customer loyalty – ‘ – and the role of getting duties, taxes and regulatory details right is now

pivotal to those cross-border sellers that are going to thrive. The cost of getting the right data, live and at the point of sale, is tiny compared to the gains it can deliver – not to mention the savings it will make in neither losing customers nor falling foul of the authorities in other lands.



SUMMARY

Trading cross-border has never been more important. Growth for manyetailers is going to be driven by expanding outside their domestic markets and into new, overseas territories.

But with this comes a raft of challenges: different tax regimes, different customs and tariff structures, different languages and cultures and different standards.

The impact of Brexit and Coronavirus is also shifting how eCommerce players operate outside the UK, ushering in still unknown changes to international selling, shipping and returns.

So how do you meet all these across a range of overseas markets, without the cost of doing business outweighing the advantages? In this white paper we take a look at the challenges facing retailers in expanding cross-border and, more pressingly, showcase just how these challenges can be met – creating a path to happy selling, shipping and returns and helping retailers drive growth at a time when it is most needed.



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