



GETTING YOUR GOODS ACROSS THE GLOBE

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One Day it Happens: Your first international order. You didn't market to that country. You didn't solicit the business. But here it is. And you have to figure out a way to ship it.

As U.S. markets continue to expand abroad due to increased overseas demand for American products, globalization, and other economic forces, distribution managers are being thrust into the strange new world of international distribution.

But shipping overseas is more complex and constrained than domestic distribution. It involves factors such as multiple service providers, language and cultural barriers, as well as delays due to time differences.

Each government has specific documentation requirements to monitor the entry of goods into its country. Commodity restrictions, currencies, duties and taxes vary from one country to the next.

With increased trading partners and transit times, there's also a greater chance that something will go wrong with your shipment. And, perhaps most significant, international shipping is considerably more costly than delivering goods in North America.

Entering the international shipping arena

What's driving the trend in global distribution? The Web has played a big part. For e-commerce merchants, orders can come from anywhere in the world. Overall trends indicate that international orders will become a significant percentage of overall sales — if they haven't already. World trade continues to increase at roughly three times the rate of world economic growth.

Although in many cases international customers will find their way to U.S. marketers online, increasing competition is prompting American merchants to explore new markets. There are many reasons why U.S. catalogers and Websites want to sell products overseas, but delivering the goods is another matter.

Marketing and distribution executives work together prior to executing international marketing campaigns. And there are many steps to prepare an international logistics strategy.

First, narrow your focus by transportation mode. Will the shipment require vessel, airfreight, parcel, or postal services? What's the transit requirement? What are you shipping? Is your shipment dutiable or non-dutiable? What's the value?

Generally, the commodity, weight, product value, and transit requirement will determine mode. You have to balance speed vs. cost, because faster transit time is more expensive.

Next, research destination country information. Where are you shipping? What are the customs regulations and/or restrictions for each country? What documentation is required? Commercial or pro forma invoice, shipper's export declaration, certificate of origin, NAFTA certificate of origin? Each of the major carriers offers a variety of online tools to research destinations.

Finally, research potential suppliers and enabling technologies. The major U.S. parcel carriers, such as DHL, FedEx, United Parcel Service, and the U.S. Postal Service, provide several international delivery options. Many also offer tools to help U.S. shippers manage documentation requirements and trade compliance. (For more see "Some overseas shipping services" on page 45.)

Negotiating supplier agreements

Once you've determined which carrier offers the services and tools to best handle your business, the next step is to negotiate pricing. There are typically five steps in negotiating best-in-class parcel contracts: collecting and analyzing shipment data; developing rate benchmarks; creating a competitive bidding environment; negotiating discounts, accessorial concession, and rebates; and identifying other cost saving strategies such as shifting from costly premium services to time-definite but less expensive deferred services. (For specifics, see my January article "Making a Rate Case.")

Make sure your contracts include service-level agreements (SLAs) for on-time service performance as well as recovery plans when things go wrong.

Determine which carrier offers technology that best fits your requirements. Items to consider: shipment processing; international forms and shipping resources, customs documentation compliance and government regulations; duties and taxes estimates; shipment tracking; currency conversion; and reporting.

Be sure to evaluate total landed costs for all competing bids. Include in your comparisons all transportation and accessorial charges, fuel surcharges, destination add-on, brokerage and other charges.

This landed cost analysis offers additional value: It will help determine if you are appropriately recovering shipping charges from your international customers.

There are a number of additional resources for international shippers, including: U.S. Department of Commerce; U.S. Census Bureau (find Schedule B export codes for your shipper's export declaration or SED); U.S. International Trade Commission (learn about U.S. sanctions and embargoes that may affect your shipments, find harmonized tariff schedules and access Export Compliance Guide); and the International Trade Administration (find detailed tariff and tax information).

Finally, your U.S. carrier reps can provide access to international experts.

It's a big world out there. With proper research and logistics planning, your business can reap the rewards of international growth. Good luck!

SOME OVERSEAS SHIPPING SERVICES ---

The major U.S. parcel carriers offer a wide array of international delivery options. Many also offer tools to help U.S. merchants manage documentation requirements and trade compliance. Here are a few examples.

DHL www.dhl-usa.com

DHL, which is owned by German postal, logistics and courier giant Deutsche Post, handles more than 1 billion international shipments annually to more than 225 countries. DHL has a number of day and time-specific international services and resources. The carrier's International Trade Centre includes automated tools to search for Schedule B and harmonized tariff codes, determine export license regulations, find country specific trade documents, and more.

FedEx www.fedex.com

FedEx provides customs-cleared, door-to-door service to more than 220 countries and territories, with a variety of time-definite services to meet distinct customer needs. FedEx offers online tools including FedEx Global Trade Manager and FedEx International Resource Center. FedEx Global Trade Manager lets you combine address and documentation information so you have to provide your shipment information only once. The FedEx International Resource Center includes tools, documentation, and information related to international trade.

United Parcel Service www.ups.com

UPS provides several day and time-definite international delivery options, brokerage services and online tools. UPS handles more than 1.8 million international packages and documents daily to more than 200 countries and territories. UPS is now offering a paperless international shipping option as well as a package return capability. UPS Paperless Invoice integrates order processing, shipment preparation and commercial invoice data and then transmits that data to customs offices across the globe.

U.S. Postal Service www.usps.com

Last year, the U.S. Postal Service introduced the familiar domestic product names into its international service. USPS Shipping Assistant is free desktop software to create labels and customs forms, compare rates, calculate estimated delivery times, verify deliveries, and more. USPS customers purchasing postage online (Click-N-Ship) will qualify for postage discounts of 10% on Global Express Guaranteed; 8% on Express Mail International; and 5% on Priority Mail International. Mailers who meet certain requirements also can use global shipping software (GSS) from the Postal Service. Large mailers can work with a USPS global business account manager to negotiate international customized mail agreements and, in some cases, discounts.

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