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THE STATE OF GLOBAL CROSS-BORDER E-COMMERCE REPORT 2023-24

Industry survey, market analysis and recommendations for cross-border success

Produced in conjunction with

Avalara

Contents

List of Figures

Foreword

International e-commerce has become an impossible-to-ignore force in global spending patterns. An already sky-high growth rate reached meteoric levels during the pandemic and there remains plenty of momentum today as sales are likely to top the $1 trillion mark in 2023.

While this massive opening of new markets has been a welcome revenue injection for many companies, fulfilling those demands has been, and remains, far from painless.

The step-up from sales to domestic customers is considerable and this can create issues for sellers, shippers and buyers alike. Many are thrust into an unfamiliar world of compliance and customs duties, which can lead to higher costs and delays.

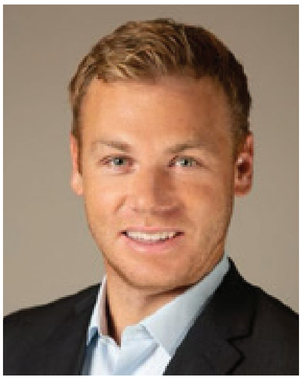
Our industry-leading research, which canvassed hundreds of supply chain professionals, makes this abundantly clear, but it also lays out solutions to these pressure points.

Firstly, we are seeing that the global environment for cross-border e-commerce is improving, as more trade deals, with more comprehensive digital provisions are being signed.

Alongside these international agreements are improvements and innovations at the organisational-level. An increasing suite of digital tools and expertise are helping firms to navigate the complex world of international trade. Now, companies can draw on databases and automation to instantly understand the terms of trade, present these to the buyer and maintain a consistent pathway from seller to customer that minimises the costs of crossing borders.

With this in mind, we are highly optimistic about the future, and you should be too.

We hope you enjoy our research in partnership with Reuters Events, Supply Chain.



Evan Wright,
Senior Director of Growth,
Cross Border, Avalara

Executive summary

Key trends

The key trends encountered in our industry survey and analysis are:

- Cross-border e-commerce is rapidly growing, and although growth will be dampened slightly this year by the economic outlook and a come-down from pandemic spending, the long-term prospects are strong, with a high probability that the total value of trade crosses $1 trillion in 2023.
- Regions outside of North America and Europe are leading this expansion as e-commerce diversifies. Growth expectations and the share of sales derived from cross-border e-commerce are higher in Asia-Pacific, Latin America, the Middle East and North Africa.
- Cross-border transactions continue to challenge most organisations. Compliance and cost are the two main concerns.
- Failure to attach the correct documentation is a frequent occurrence and leads to delays. This has a high impact as consumers prioritise cost, speed and convenience when making purchases.
- Nonetheless a growing embrace of technology and partnerships, alongside better conditions for e-commerce trade as a result of international agreements, are easing the burden and respondents overall perceive that cross-border e-commerce is becoming easier to conduct.

International e-commerce – a growth market

- **Sixty-four percent** of manufacturers, retailers, and Logistics Service Providers (LSPs) currently conduct cross-border e-commerce or plan to within the next year.
- **Twenty-eight percent** of sales from companies engaged in international e-commerce are cross-border transactions.
- It is highly likely that the total value of global cross-border e-commerce will surpass **$1 trillion** in 2023.
- **Seventy-seven percent** anticipate growth in cross-border e-commerce over 2023 and 2024, with **27%** expecting a very high growth scenario.
- However, the pace of growth should moderate from extremely high growth rates experienced in the period 2020-to-2022, which were spurred on by pandemic purchase patterns.
- **Thirty-five percent** in Asia-Pacific and **47%** in the Middle East and North Africa expect rapid international e-commerce growth, compared to just over **22%** in North America and Europe.
- Rapid expansion in regions outside North America and Europe comes on top of an already higher base, with a third of sales from Latin American and Caribbean companies being generated through cross-border e-commerce, compared to **25%** in North America.
- The share of consumers reporting that their most recent cross-border online purchase was made outside of the five largest markets rose from **23%** in 2016 to **31%** in 2022.

Delays, clearing customs, complexity and costs - the challenges of conducting cross-border e-commerce

- **Fifty-five percent** of respondents said that they find the cross-border e-commerce business environment challenging.
- The top five challenges encountered by organisations making cross-border e-commerce sales are:
  - Shipments delayed in customs **43%.**
  - Customs regulatory compliance / HS codes **41%.**
  - Added supply chain costs **41%.**
  - Added costs of tariffs and duties **37%.**
  - Delivery costs **33%.**
- The European Customs Union reduces the cost of international e-commerce within its borders. European respondents were least likely to report issues with costs of tariffs and duties, and therefore added supply chain costs.
- **Forty-one percent** find compliance with HS codes challenging.
- This rises to **57%** in Asia-Pacific due to difficulties in understanding the region's complex set of Free Trade Agreements (FTAs), and **43%** in Europe, likely driven higher as a result of HS codes being a relatively new requirement for trade between the EU and UK.
- The top five issues expected to become more problematic in 2023 and 2024 for cross-border e-commerce supply chains are:
  - Effects of recession **54%.**
  - Inflationary pressures **52%.**
  - Cost of shipping **40%.**
  - US-China tensions **37%.**
  - International supplier instability **37%.**
- Parcel shippers are, and will continue, passing on cost increases to customers in 2023, pushing up the price per shipment.
- Securing reliable, cheap ocean freight has been a major challenge for those based in Asia-Pacific and the Middle East and Africa, Brexit is seen as a continuing issue for those in Europe, and US-China tensions are a more prominent concern for North and South American respondents than in other regions.
- More than twice as many respondents expect the environment for cross-border e-commerce to improve than to deteriorate, with **46%** expressing optimism and **20%** anticipating deteriorating conditions. Some **35%** expected no change.
- World Trade Organisation (WTO) figures show that the number of Regional Trade Agreements has more than trebled since 2000, to **355** as of the end of 2022.

The risks of failing to deliver on cross-border e-commerce promises

- **Ninety-four percent** encounter delays as a result of incorrect classification and documentation, although a lower **39%** said that they face these delays frequently.
- Nearly half – **48%** – of respondents in Asia Pacific face frequent delays compared to just over **30%** in Europe and North America. Lower trade integration and more complex documentation requirements in Asia-Pacific lie behind this.
- Delays are hugely costly as global consumers value speed, convenience and reliability of deliveries behind only cost. Any delay increases the probability of goods being returned.
- The share of consumers who note paying customs fees has risen considerably since the pandemic broke out, standing just below **20%** as of the opening of 2023 according to IPC, and up from **10-12%** pre-2020.
- The consumer experience needs to be streamlined to a Delivery Duty Paid (DDP) framework, where consumers are presented with, and pay for, duties at checkout.
- The IPC notes that although the share paying these dues before the parcel arrives has risen over the last few years, still only **50%** of respondents made the payment at the point of purchase.

Cracking the code for smooth cross-border e-commerce

- In the survey **87%** reported using technological aids when handling trade documents and **74%** said that they automate invoicing for tax and duties.
- Among the 124 respondents that outsource HS classification, duties and tax calculations to a solutions provider or partner, the main advantages are: improved compliance with changing rules and regulations (**40%**); less workload for employees (**34%**); more streamlined and safer documentation processes (**32%**); and less errors being made in documentation (**32%**).
- **Sixty-one percent** said that they are able to show a DDP calculation to the customer at checkout. This is becoming industry standard as it is advantageous to both consumer and company through jointly understood and consistent fees that accurately match classifications.
- **Sixty-nine percent** of e-commerce goods shipped overseas today are subject to de minimis charges. There is considerable scope to shift this and ship more goods so that they fall under de minimis given that the value of eight in 10 purchases made by consumers are less than the de minimis thresholds in the North America and Europe.
- Organisations should look to automation and specialised help from knowledgeable partners to understand the rules, regulations and fees so that they can be computed and included at the point of purchase. They should then incorporate these into the checkout-process and ensure that they are met accurately after this point whenever required.

Cross-border e-commerce regional profiles

North America

- **Twenty-five percent** of sales in North America are cross-border e-commerce transactions.
- **Seventy-two percent** of North American organisations are expecting growth in the cross-border e-commerce market over the next 24 months.
- **Fifty-two percent** of North American organisations find the environment for cross-border trade difficult to operate in.
- **Thirty-one percent** of North American organisations expect the environment for cross-border e-commerce to improve in the next 12 months.
- The top five challenges faced by North American organisations when sending e-commerce goods cross-border are:
  - Customs regulatory compliance / HS codes **51%.**
  - Added costs of tariffs and duties **45%.**
  - Shipments delayed in customs **45%.**
  - Added supply chain costs **44%.**
  - Delivery costs **32%.**
- **Forty-two percent** of organisations in North America find HS code compliance challenging.
- **Thirty-one percent** of North American respondents say that e-commerce goods are frequently delayed due to incorrect classification and documentation.
- The top five disruptions expected to worsen over 2023 by North American organisations are:
  - Inflationary pressures **54%.**
  - Effects of recession **52%.**
  - US-China tensions **48%.**
  - Growing protectionism **37%.**
  - Costs of shipping **34%.**
- **Eighty-five percent** use technological aids to process and/or file trade documentation.
- **Seventy-three percent** automate invoicing for duty and taxes.

Europe

- **Twenty-eight percent** of sales in Europe are cross-border e-commerce transactions.
- **Seventy-three percent** of European organisations are expecting growth in the cross-border e-commerce market over the next 24 months.
- **Fifty-five percent** of European organisations find the environment for cross-border trade difficult to operate in.
- **Forty-one percent** of European organisations expect the environment for cross-border e-commerce to improve in the next 12 months.
- The top five challenges faced by European organisations when sending e-commerce goods cross-border are:
  - Customs regulatory compliance / HS codes **41%.**
  - Shipments delayed in customs **38%.**
  - Cost of returns **32%.**
  - Added supply chain costs **29%.**
  - Added costs of tariffs and duties **28%.**
- **Forty-three percent** of organisations in Europe find HS code compliance challenging.

- **Thirty percent** of European respondents say that e-commerce goods are frequently delayed due to incorrect classification and documentation.
- The top five disruptions expected to worsen over 2023 by European organisations are:
  - Effects of recession **62%.**
  - Inflationary pressures **55%.**
  - International supplier instability **37%.**
  - Brexit-related issues **36%.**
  - Costs of shipping **30%.**
- **Eighty-seven percent** use technological aids to process and/or file trade documentation.
- **Eighty percent** automate invoicing for duty and taxes.

Asia-Pacific

- **Thirty percent** of sales in Asia-Pacific are cross-border e-commerce transactions.
- **Eighty percent** of Asia-Pacific organisations are expecting growth in the cross-border e-commerce market over the next 24 months.
- **Sixty-one percent** of Asia-Pacific organisations find the environment for cross-border trade difficult to operate in.
- **Fifty-seven percent** of Asia-Pacific organisations expect the environment for cross-border e-commerce to improve in the next 12 months.
- The top five challenges faced by Asia-Pacific organisations when sending e-commerce goods cross-border are:
  - Added supply chain costs **47%.**
  - Customs regulatory compliance / HS codes **43%.**
  - Shipments delayed in customs **43%.**
  - Added costs of tariffs and duties **37%.**
  - Delivery costs **37%.**
- **Fifty-one percent** of organisations in Asia-Pacific find HS code compliance challenging.
- **Forty-eight percent** of Asia-Pacific respondents say that e-commerce goods are frequently delayed due to incorrect classification and documentation.
- The top five disruptions expected to worsen over 2023 by Asia-Pacific-based organisations are:
  - Effects of recession **51%.**
  - Costs of shipping **47%.**
  - Inflationary pressures **45%.**
  - Growing protectionism **41%.**
  - US-China tensions **39%.**
- **Eighty-one percent** use technological aids to process and/or file trade documentation.
- **Fifty-seven percent** automate invoicing for duty and taxes.

Middle East and North Africa

- **Twenty-nine percent** of sales in the Middle East and North Africa are cross-border e-commerce transactions.
- **Eighty-three percent** of Middle East and North African organisations are expecting growth in the cross-border e-commerce market over the next 24 months.
- **Fifty-seven percent** of Middle East and North African organisations find the environment for cross-border trade difficult to operate in.

- **Seventy-three percent** of Middle East and North African organisations expect the environment for cross-border e-commerce to improve in the next 12 months.
- The top five challenges faced by Middle East and North African organisations when sending e-commerce goods cross-border are:
  - Added supply chain costs **53%.**
  - Shipments delayed in customs **47%.**
  - Delivery costs **43%.**
  - Added costs of tariffs and duties **37%.**
  - Language and cultural barriers / Lack of understanding of consumer behaviour in international markets **33%.**
- **Sixty percent** of organisations in the Middle East and North Africa find HS code compliance challenging.
- **Sixty-three percent** of Middle Eastern and North African respondents say that e-commerce goods are frequently delayed due to incorrect classification and documentation.
- The top five disruptions expected to worsen over 2023 by Middle Eastern and North African organisations are:
  - Costs of shipping **67%.**
  - Inflationary pressures **50%.**
  - International supplier instability **50%.**
  - Port congestion and delays **47%.**
  - Effects of recession **43%.**
- **Ninety-four percent** use technological aids to process and/or file trade documentation.
- **Eighty-one percent** automate invoicing for duty and taxes.

1
International e-commerce – a growth market

Cross-border e-commerce is now at the heart of globalised business according to our major industry survey of more than 700 supply chain professionals.

As of the opening of 2023, the majority of businesses are selling and moving at least a portion of their inventories internationally via e-commerce transactions and this total is only set to rise in the coming years as more companies follow burgeoning demand.

Not only is this growth broad-based across all regions in our survey, but accelerating fastest in developing markets, underscoring how the market is becoming more global and diversified.

This will require supply chain operators to reduce the barriers to conducting trade and to consider how they can ship goods rapidly and reliably to, and from, the furthest continents.

1.1 International e-commerce now the norm for global business

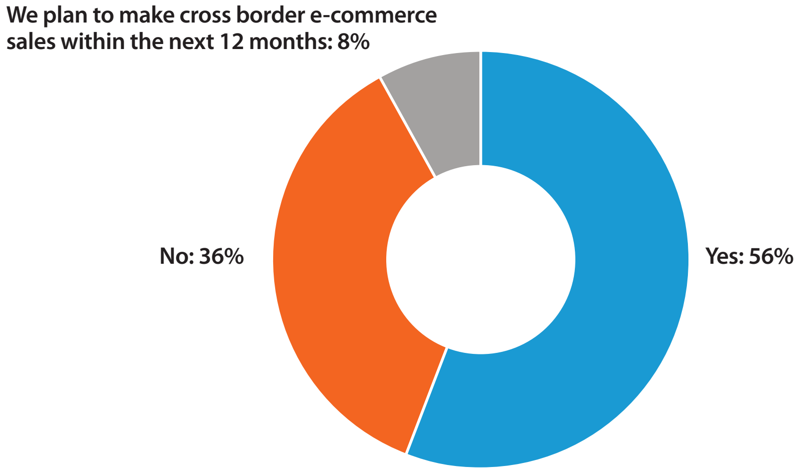
The rise of international e-commerce to a central position in most businesses has now been cemented and it is only set to take a more significant share of global revenues going forward.

Among manufacturers, retailers, and Logistics Service Providers (LSPs) in our survey, nearly two thirds – 64% – currently conduct cross-border e-commerce or plan to within the next year.

With 56% of these company types already directly engaged in international e-commerce it is clear that this is a huge market many are looking to capitalise on.

> In the challenging economic environment that we find ourselves in, [companies] are looking overseas to shore up some of the shortage in domestic revenue or regional revenue.
>
> Essentially, it's a hedge to lower the risk of being too dependent on a single market. When you increase your footprint, you increase the potential number of customers.
>
> **Patrick Frith, Senior Prospect Marketing Manager, Global Solutions, Avalara**

Figure 1: Majority of organisations make cross border e-commerce sales as of 2023



436 respondents - LSPs, manufacturers and retailers only. Question: does your organisation make cross border e-commerce sales, or plans to, in the near future?

This is reinforced by the share of revenues that are now being generated from sales to foreign customers. Cross-border e-commerce now accounts for 28% of sales for manufacturers, retailers and LSPs currently engaged in this market space.

If we put this figure into the context of **e-marketer's estimates for the value of the global retail e-commerce market** in 2023 of $6.15 trillion, then cross-border transactions would comfortably eclipse $1 trillion in value this year.

This is close to the **estimate from Allied Market Research**, which valued the market in the region of $785 billion in 2021 growing at a CAGR of 26.2%. Projecting that out to 2023 gives a market size of over $1.2 trillion, so it seems very likely from putting together these estimates that this year will mark a first and see international digital retail sales definitively climb above $1 trillion.

27.5%

of sales from companies engaged in international e-commerce are cross-border transactions

170 respondents - LSPs, manufacturers and retailers only. Question: what percentage of your current sales are cross-border e-commerce transactions?

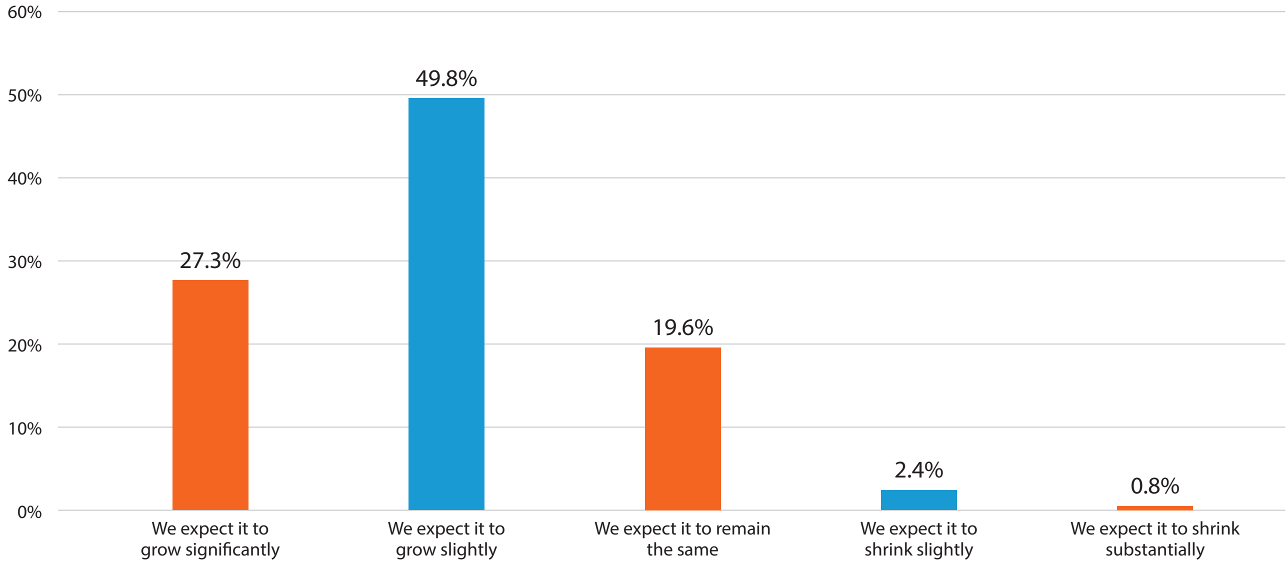
1.2 Little let-up in cross-border e-commerce growth in 2023 and 2024

Not only are foreign markets now critical to the majority of businesses, they are set to grow in importance over the medium term, although at a slightly lower level than the stratospheric rate of the last half decade.

In our survey 77% of respondents are anticipating growth over 2023 and 2024, with nearly half the sample forecasting modest growth, and 27% seeing a rapid growth scenario continuing for the next 24 months.

This massively outweighs the negative sentiment in the survey, where only 3% expect cross-border e-commerce to decline over the medium term. The final fifth of respondents are expecting the value of e-commerce to stagnate and remain broadly similar to where it stood at the opening of 2023.

Figure 2: More than three quarters expect growth in cross-border e-commerce market over next 24 months



245 respondents. Question: How do you expect that [cross-border e-commerce sales] percentage to change over the next 24 months?

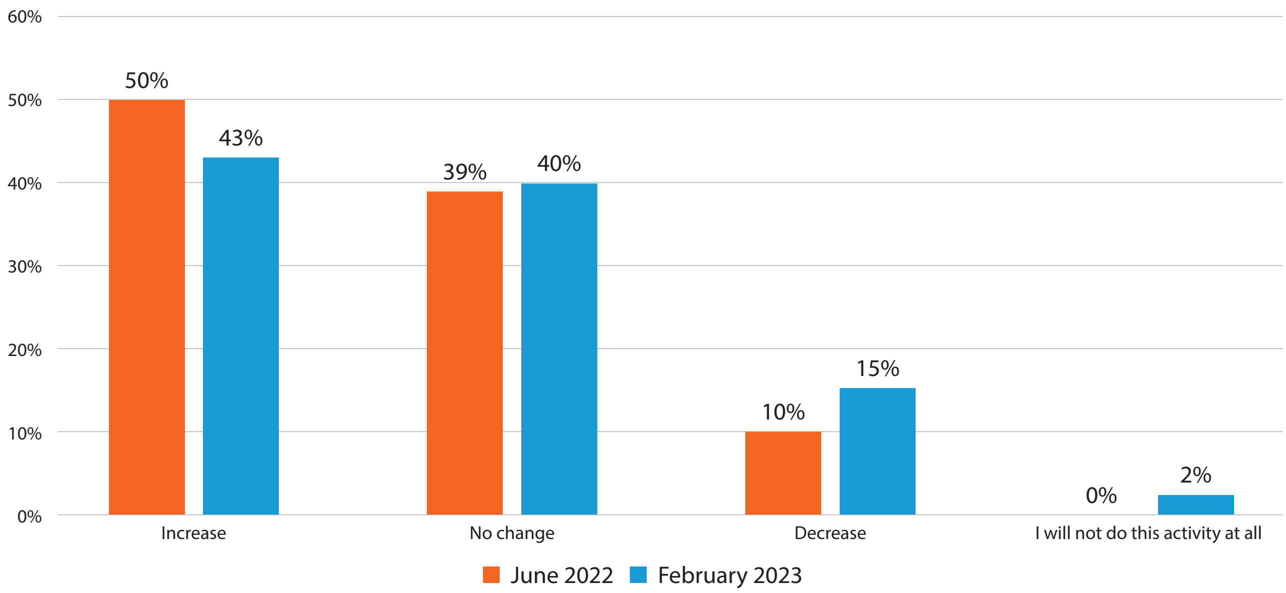
This is a positive continuation for most businesses that comes off the back of several years of spectacular expansion. Even before the pandemic, **Accenture estimated** that cross-border e-commerce was growing at a 29% Compound Annual Growth Rate (CAGR), twice that of domestic e-commerce.

The pandemic acted as an accelerant to this already soaring sector as consumers in lockdown bought more physical goods, and largely bought them online. **Research by Retail Economics** looking at 2020 and 2021 estimated that $538.6 billion worth of consumer spending moved online in the US alone as a result of the pandemic and $48.9 billion more was spent digitally by German consumers.

Clearly this was a period of truly exceptional growth that could not go on indefinitely and there are some signs of moderation.

According to **PwC's Pulse survey** of global consumers, the share of shoppers worldwide expecting to

Figure 3: Global consumer online shopping intention



Source: PwC, 2023

decrease or complete cut online spending rose by 7% between June 2022 and February 2023.

This is indicative of a slowdown now that the pandemic period has seemingly passed and consumers are free to spend on services, but also increased pressure on household budgets due to inflation and rising interest rates.

> Despite high price increases from inflation, we're still seeing astronomical cross-border growth. At the end of the day, it's the shopper who will pay those freight rates. If they decide that that's the product they want, they're going to make that purchase.
>
> **Patrick Frith, Senior Prospect Marketing Manager, Global Solutions, Avalara**

It therefore seems wise for supply chains to plan on a macro level for further growth in the cross-border e-commerce market, but at a moderated pace compared to the last five years. There certainly seems to be little indication of a turn away from making these purchases among consumers and businesses. Indeed, the opposite appears to be true according to our results, with rising comfortableness with cross-border e-commerce purchases and broad-based growth.

1.3 More diversification coming to cross-border e-commerce

Cross-border e-commerce is, if anything, become more international and globalised, even as politicians look to fostering domestic or nearshored supply chains and **companies aim to source more goods nearer to end market**.

In our survey population, expectations of growth were highest in regions outside of North America and Europe. Furthermore, respondents in these high-growth regions reported that they are already more reliant on sales via cross-border e-commerce channels. Third-party research also shows consumers are increasingly comfortable with make purchases from a greater variety of countries.

This all paints a picture of diversification.

Looking first at the growth picture, while 72% and 73% of respondents anticipate growth in the next

Figure 4: Expectations of growth highest in emerging markets

245 respondents. Question: How do you expect that [cross-border e-commerce sales] percentage to change over the next 24 months?

24 months in North America and Europe, respectively, respondents in other regions are noticeably more optimistic:

- 80% forecast growth in Asia-Pacific.
- 83% in the Middle East and North Africa.
- 100% in Latin America and the Caribbean.

Furthermore, a higher percentage in Asia-Pacific (35%) and the Middle East and North Africa (47%) expect that growth to be 'significant', compared to just over 22% in North America and Europe.

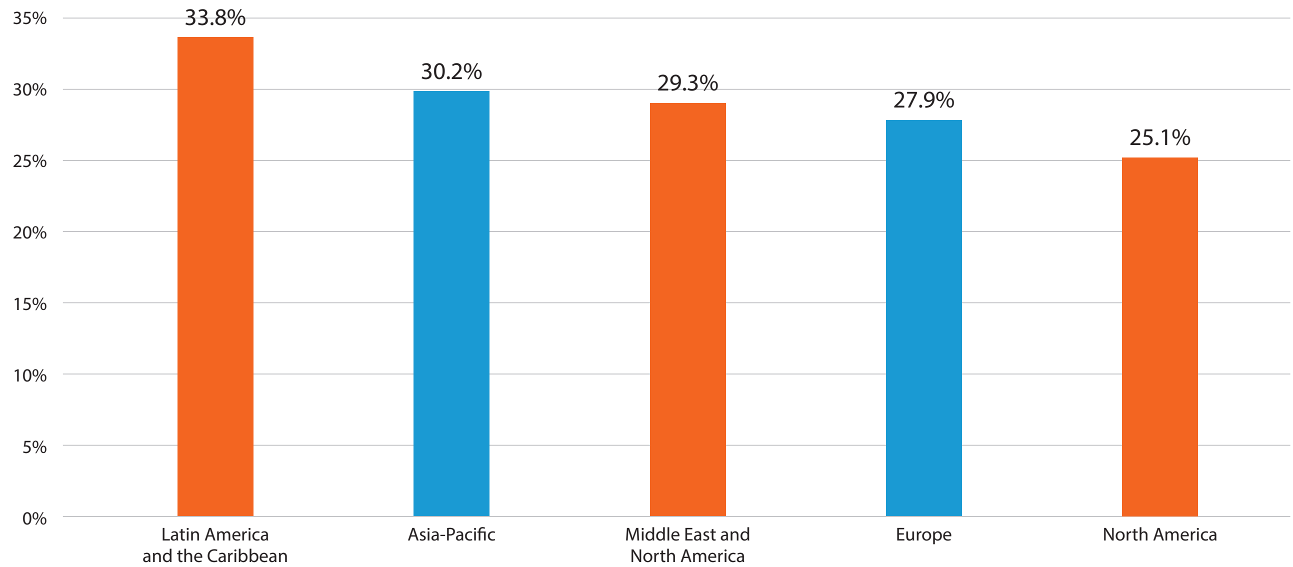
This expansion comes on top of an already higher base, with a third of sales from Latin American and Caribbean companies being generated through cross-border e-commerce, compared to a quarter in North America, for example.

> We've always seen stronger growth in emerging markets and now is no different than what we've seen before.
>
> We've got a lot of activity going on with Chinese marketplaces and retailers as they step up and rebound.
>
> **Patrick Frith, Senior Prospect Marketing Manager, Global Solutions, Avalara**

Then, when we look at the consumer side, we also see expansion in new markets.

The **International Post Corporation's (IPC) multi-year, large scale study of consumer patterns in the cross-border e-commerce market** show that more and more sales are being made outside of the top five largest exporting countries. The share of consumers reporting that their most recent cross-border online purchase was made outside of China (the leading purchase choice), Germany, the UK, the US or France has risen consistently from 23% in 2016 to 31% in 2022.

Figure 5: Developing markets already more e-commerce focused

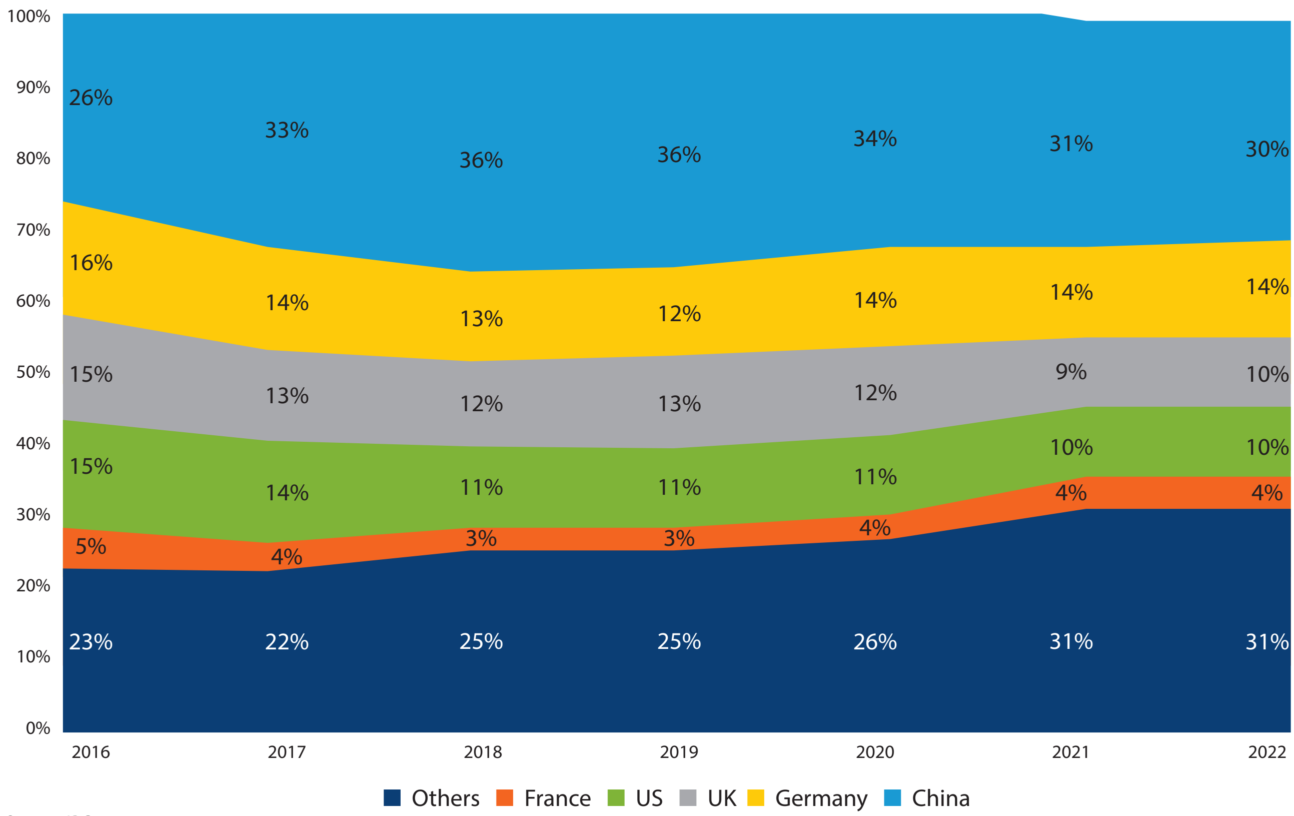


245 respondents. Question: what percentage of your current sales are cross-border e-commerce transactions?

We are therefore seeing an exciting picture of a greater array of companies exporting e-commerce goods in a rapidly expanding global marketplace.

However, this introduces additional complexity into the market – complexity that end customers don't want to see and handle, as they increasingly expect transactions and shipments to be consistent, rapid, seamless and cheap.

Figure 6: Country of origin for consumers' most recent online purchase



Source: IPC, 2023

2
Delays, clearing customs, complexity and costs - the challenges of conducting cross-border e-commerce

While selling internationally has never been more commonplace, organisations have yet to conquer the complexity of rapidly shipping goods through customs procedures.

Our results show deliveries face the risk of delay and added costs at a number of key junctures, the most problematic of which is when attempting to comply with the rules, regulations and fees associated with international shipping.

Tackling these issues will take concerted effort, and while we are seeing the overall environment gradually improving, international e-commerce trade is far from frictionless for the time being.

2.1 A tricky space to operate in

Supply chain professionals engaged in international e-commerce are under no illusions when it comes to the ease of doing business internationally, with the majority admitting that the landscape is frequently challenging.

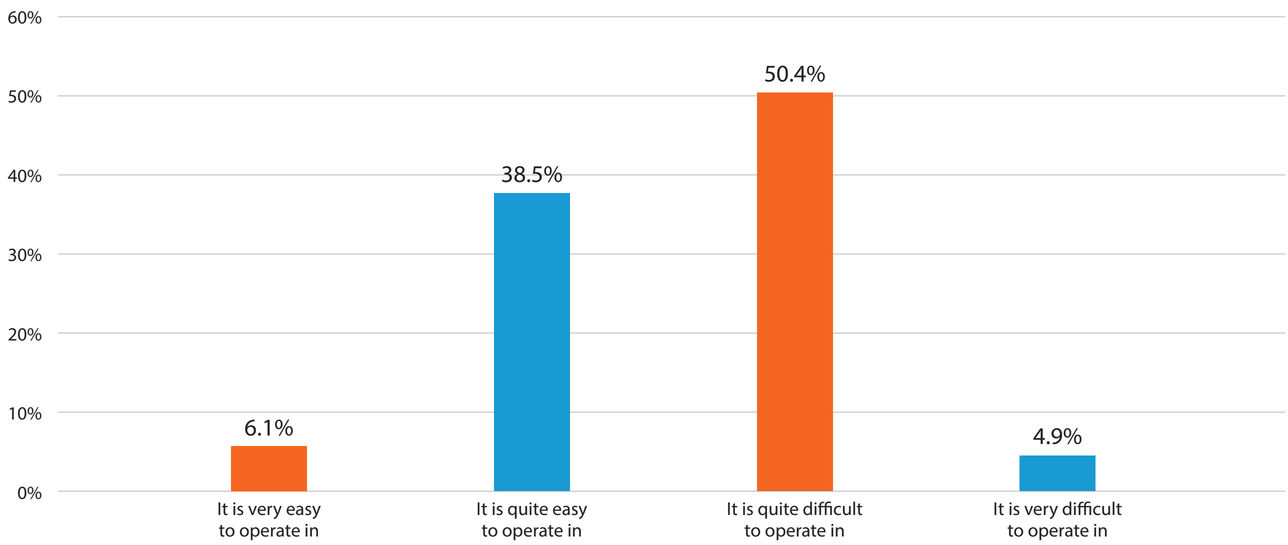
Some 55% of respondents said that they find the business environment difficult to operate in and just 6% find the process very easy. Typically, the majority of businesses exist in a mid-ground, often having to overcome a consistent stream of hurdles that chip away at the overall profitability and effectiveness of their operation.

So, what are the trade challenges that create friction?

These can be broadly placed into three main areas:

- The challenge of complying with customs.
- The potential delays created by processing documentation and shipping cross-border.
- The costs arising from the above that make it more expensive than a domestic supply chain.

Figure 7: Majority of organisations find cross-border e-commerce challenging



244 respondents. Question: how do you find the business environment for cross-border e-commerce transactions today?

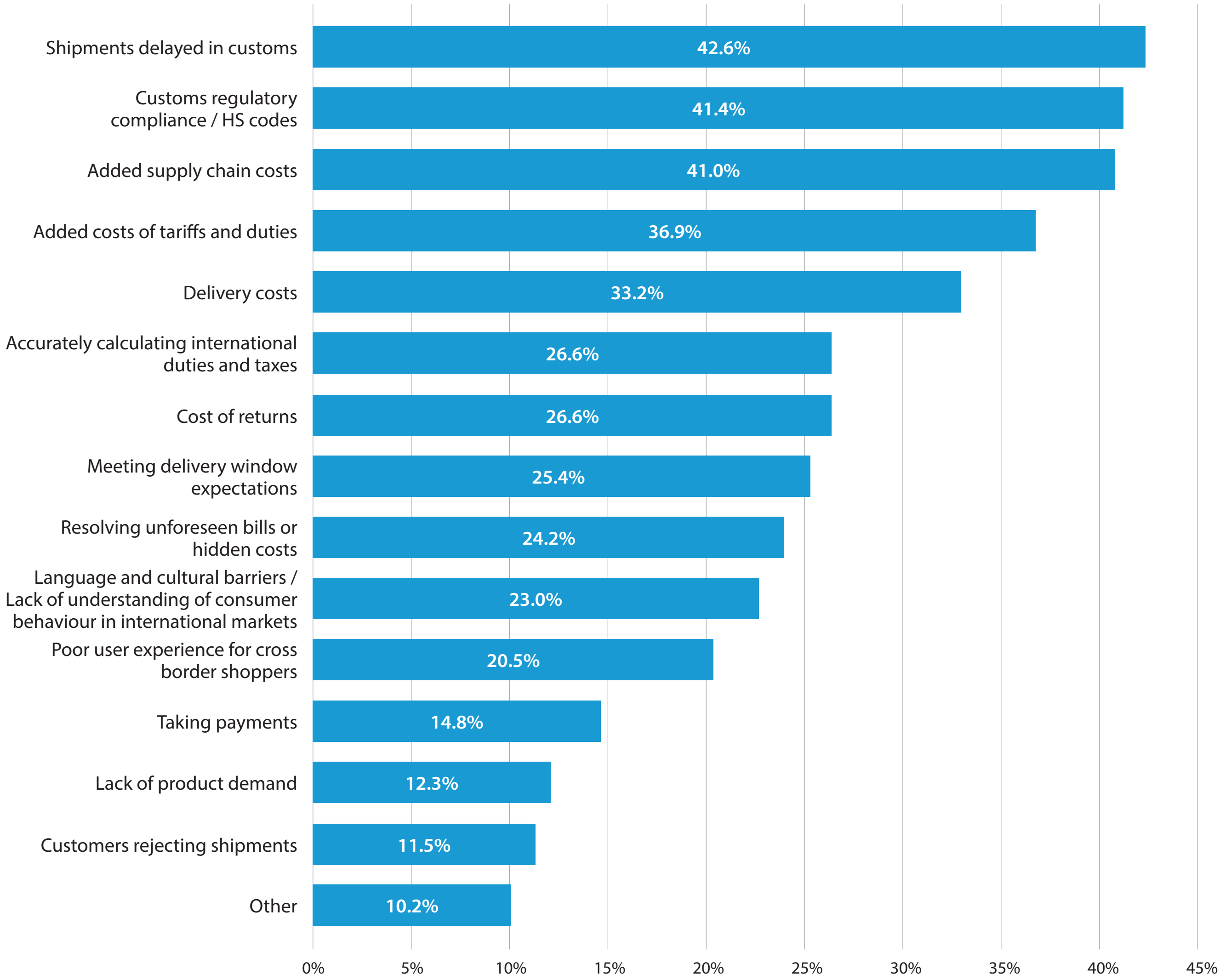
These all interplay with each other and can potentially amplify the effects of the other, meaning that a snag in international trade can create a major headache for a supply chain manager and a hit to the organisation's bottom line.

Let's take our top five biggest challenges, for example. Should an item be delayed in customers (chosen by 43%, and the most common challenge) as a result of failing to attach the right documentation (41%), then this typically means additional supply chain (41%) and delivery costs (33%), as the retailer needs to work with shipper and customs to resolve the issue, reschedule delivery and often conduct additional customer care, or possibly even to pass the burden of resolution directly onto the customer. Finally, that incorrect documentation may mean unforeseen tariffs (37%) being added onto the final cost or more scrutiny from authorities in future.

> There are a number of factors when it comes to actually getting a good to a particular country: understanding your shipping requirements; understanding typical restrictions on products; and ensuring the logistics component and that you can actually get it there.
>
> Then, once you've understood your logistics component, you need to deal with the compliance side of it. It's really hard to ensure that you have the correct HS code, duties and taxes applied to ensure that you are actually retrieving the margin that you were hoping for.
>
> **Evan Wright, Senior Director of Growth, Cross Border, Avalara**

We can see those issues then ripple through to some of the less common, but still widely selected challenges, as 27% noted accurately assessing duties and taxes was a concern, 27% struggled with the cost of international returns, a quarter had issues meeting delivery windows, and 24% often found themselves paying unforeseen charges.

Figure 8: Delays, regulatory compliance and the costs associated with international shipping dominate challenges



244 respondents. Question: what are the main challenges in completing cross-border e-commerce transactions?

Breaking these issues down internationally, we can also see how the regulatory situation affects e-commerce operations in different geographies.

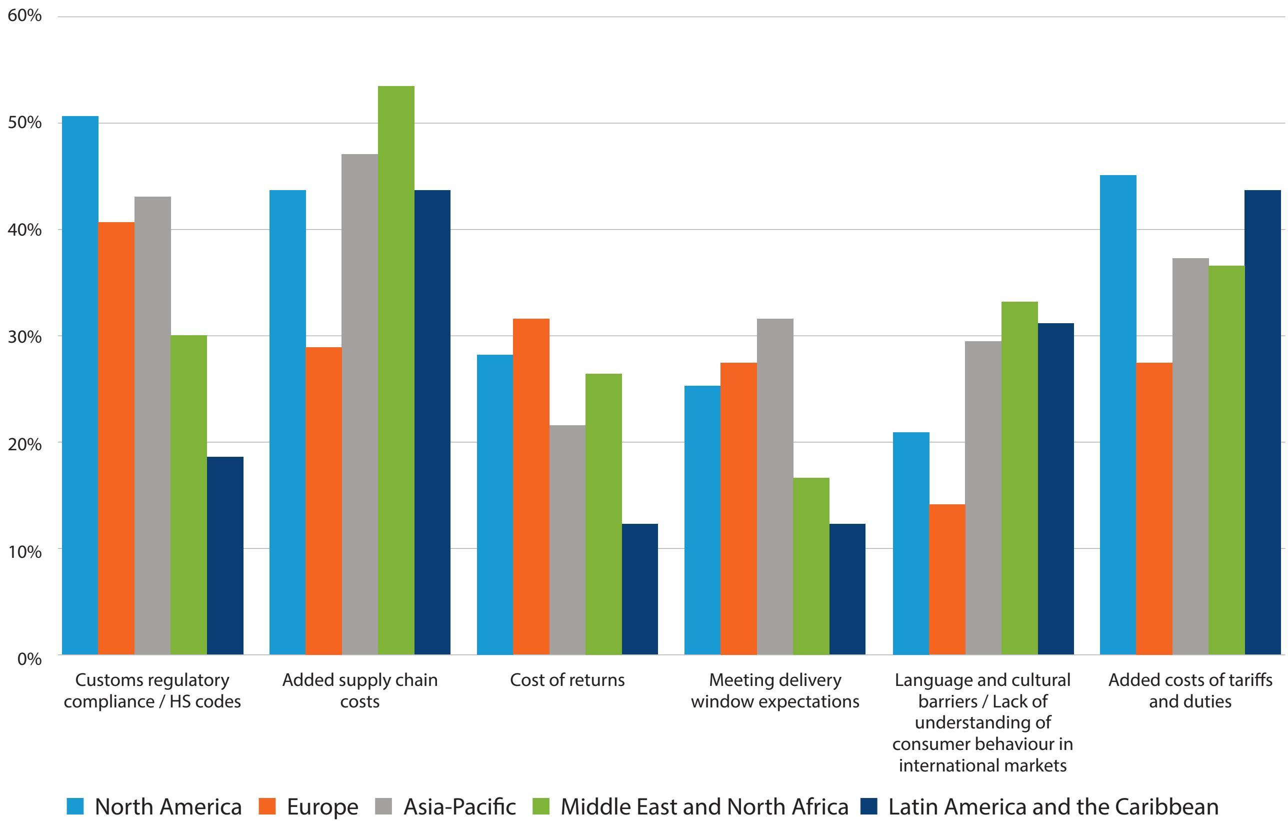
By taking areas where we see high variance in answer choices between different regions, then trends emerge.

For example, market integration and regulatory alignment in Europe has helped to make the terms of trade more favourable for firms. Furthermore, this long-standing market integration and developed cross-border e-commerce sector has meant that cultural and language barriers are diminished. Just 29% of European respondents said that additional supply chain costs from shipping e-commerce goods externally are an issue, compared to 44% in North and South America, the next lowest regions. Similarly, whereas 28% of Europeans find costs from tariffs and duties an issue, that rises to 45% in North America.

However, that integration and functionality leads to expectations of high service levels and a propensity to return goods knowing that they are likely to be processed and refunded. The region came highest for cost of returns being an issue (32%) and second highest for delivery window expectations (28%).

This might seem contradictory, but consumers often expect less in more fractured markets, returning goods less frequently and allowing more leeway for delays from cross-border shipments. Consumers **in Germany** are more likely to return a cross-border e-commerce purchase than those **in China**, for example

Figure 9: Challenges faced by organisations in different geographies



244 respondents. Question: what are the main challenges in completing cross-border e-commerce transactions?

This trend helps to explain why the Middle East and Africa and Latin America come bottom for meeting delivery window expectations (17% and 13%), but top for cultural and language barriers (33% and 31%).

It is also worth noting that respondents in Asia-Pacific were most likely to report meeting delivery windows as an issue (31%). This, as we will see later, likely relates to recent COVID-related disruptions, which have congested ports and made booking freight transport more problematic than for those in Europe or North America.

2.2 Hard to be harmonised – the challenges of HS codes

Sitting at the core of a smooth e-commerce operation is compliance with HS codes. The Harmonised System (HS) assigns numbered codes to goods shipped, providing a system of quick reference for authorities to assess what duties, taxes and tariffs then need to be levied.

The name, however, is certainly misleading. Although the first six digits that indicate general product type are indeed shared on a global basis and could be considered 'harmonised', they are followed by a three-to-six-digit code that is specific to each country. These latter numbers dictate the completely accurate tariff to the good (assuming that assigned code is correct).

This reaches a dizzying scale of possibilities even before country-specific codes are added, with **over 40,000 HS six-digit prefix codes currently used**. Add in the fact that these are updated at both a national and supranational level every few years (the WCO updates HS codes every five years, but national changes differ) and there is an obvious challenge for high-throughput businesses depending on reliable and rapid shipments.

Any mistake is quickly amplified, as it is standard practice for customs officials to default to the highest tariff available and then refund if proof is provided that the wrong code was applied.

> The book to import into the US is about a foot-and-a-half to two feet thick and the language in there is very vague and hard to determine. Then translating that for whichever country you're importing to just adds a whole host of issues to it.
>
> So, what we see a lot is customers who just classified goods for the US and tried to use that same code to ship all around the world. Then they wonder why their goods are getting held up in customs.
>
> **Evan Wright, Senior Director of Growth, Cross Border, Avalara**

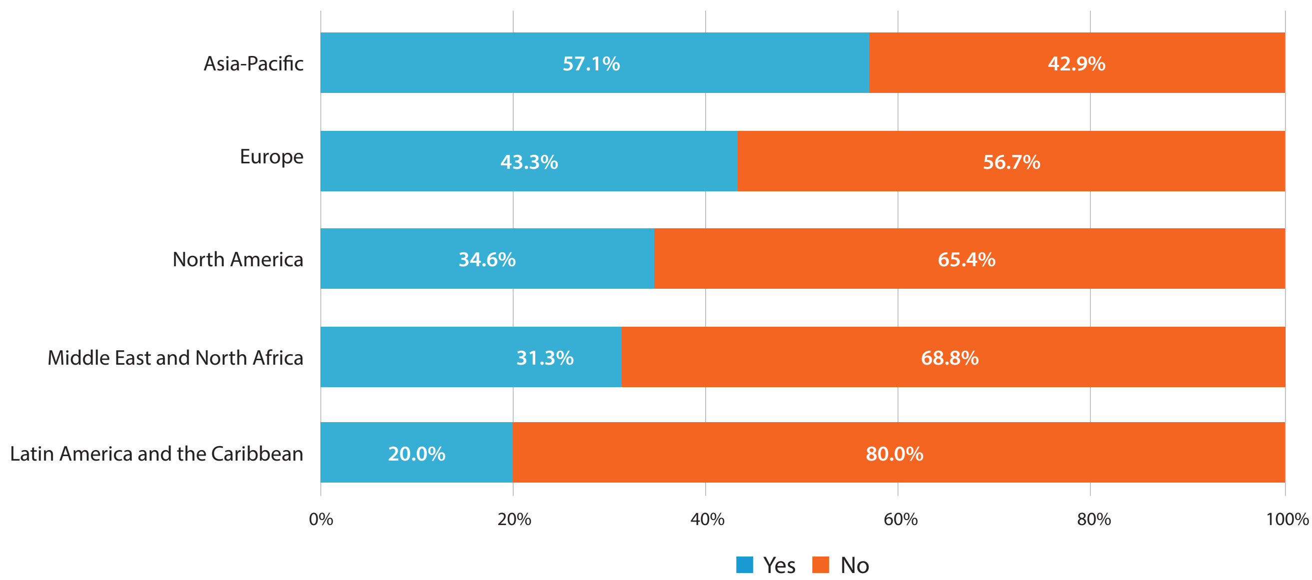
Failure to assign the right code, therefore, can be one of the most impactful errors any exporting company can make, but especially so when it comes to e-commerce, where the margins are slim and the costs of failing to deliver are high.

In our results it was clear how substantial this challenge remains for companies, despite 40-years of usage, as 41% reported that they find getting their HS codes right a challenge.

Figure 10: Do you find it challenging complying with Harmonised System (HS) codes?

98 respondents

Figure 11: HS code compliance a bigger challenge in Asia-Pacific



98 respondents. Question: Do you find it challenging complying with Harmonised System (HS) codes?

Each country adds their own flavour onto the end of HS codes. Think of a high-level product description and then there's nuances underneath it.

A good example would be shoes. Are those shoes made of a particular type of leather? What is the sole composite? Is it a rubber or leather sole?

All of those are different nuances that each country will handle differently.

Evan Wright, Senior Director of Growth, Cross Border, Avalara

Among different regions, Asia-Pacific reported the most difficulty complying, at 57% of respondents.

While Asia-Pacific as a region is seeing steady progress in striking new trade liberalisation agreements, this hasn't necessarily led to rationalisation. The Asian Development Bank (ADB) described the situation as "a 'spaghetti bowl' of overlapping FTAs that has progressively grown in Asia" in **its 2022 report**. It noted the example of Vietnam, which "has four FTAs with Japan: ASEAN–Japan, Viet Nam–Japan, CPTPP, and lately RCEP."

The ADB said that "the majority of FTAs in Asia and the Pacific lack provisions to build on the trade liberalisation achieved in previous FTAs among partners."

Interestingly, European respondents reported the second highest rate of issues with HS codes, at 43%, which is above the 35% who experience issues in North America.

This, in the inverse to Asia-Pacific, likely stems from no commodity codes being required within the EU Customs Union, and therefore lower familiarity with the system and difficulties when organisations need to apply them for external trade.

Friction from HS codes has therefore likely been increased and made more prominent by Brexit. The UK is a critical e-commerce export and import destination, but only became subject to HS code declarations for

trade between itself and the Customs Union from 2021 onwards. This result therefore likely incorporates a continued period of adjustment for European businesses.

2.3 Emerging and evolving issues in cross-border e-commerce

On top of these systemic issues are the potential issues our respondents see emerging over the next 24 months that could destabilise global trade.

At the very top mind is the global economy, with 54% concerned about the potential for a recession to diminish e-commerce demand. In a similar vein, inflationary pressures follow shortly behind at 52%.

That is creating uncertainty around what market conditions are going to be, which is clearly weighing on the minds of supply chain planners, as international supplier instability (37%) was selected as the fourth most expected challenge.

In between these factors is the cost of shipping, which was selected by 40%.

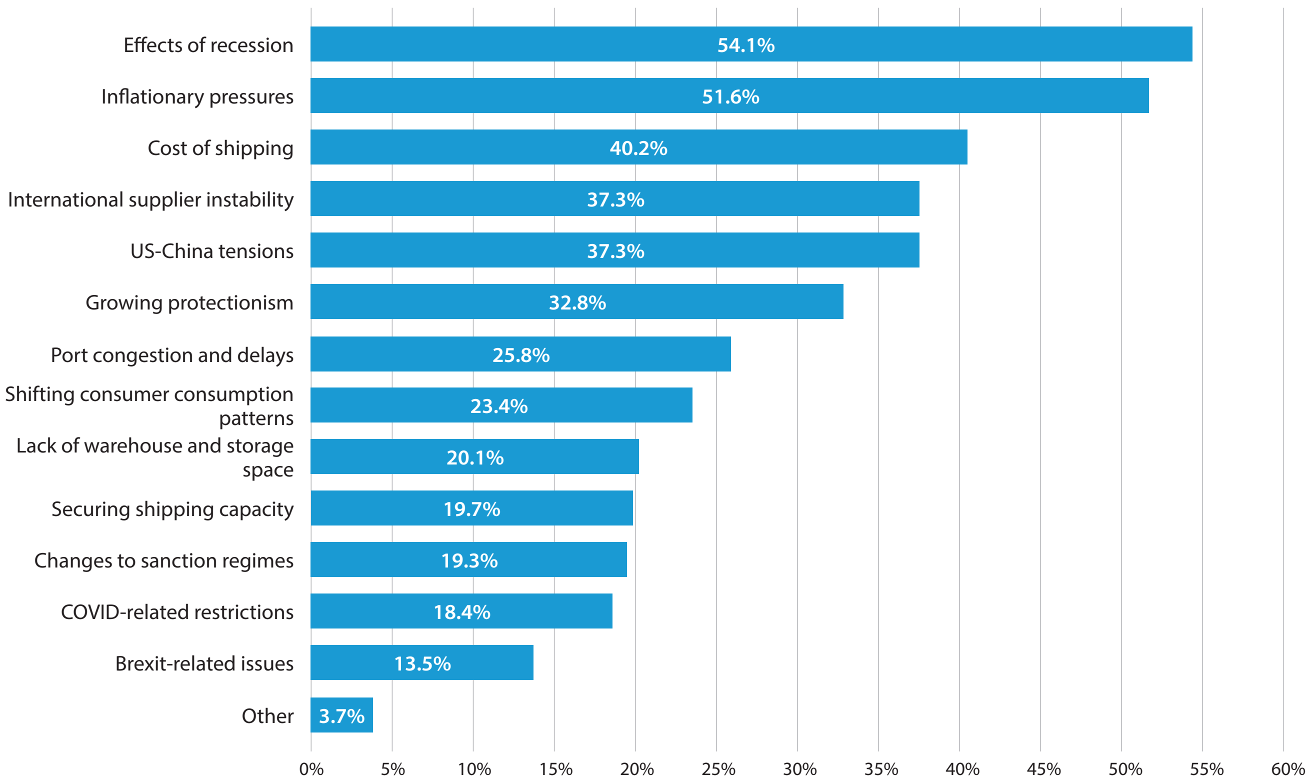
While **the cost of international ocean freight fell** continuously and rapidly throughout 2022 and is subdued to open 2023, the opposite has largely been true across the remainder of the supply chain, with parcel shipping continuing to trend upwards and often exceeding the rate of inflation in many countries.

A **Reuters Events survey of European supply chains from the start of 2023** found that 91% of LSPs planned to pass on costs to their customers over the coming 12 months and 25% intend for those cost pass-throughs to be 'significant', underlining this trend.

According to **estimates from shipping intelligence platform Reveel**, the average UPS customer will pay 10.2% more in 2023 than they did in 2022 and the average FedEx customer will pay 9.1% as a result of General Rate Increases (GRI) and adjustments to surcharges, rules and fees. Similarly, **DHL announced** a 7.9% general average shipment price for US customers to open the year.

Parcel shipping costs will therefore most likely continue to trend upwards throughout 2023, putting pressure on not only cross-border e-commerce supply chains, but also on consumer wallets.

Figure 12: Cross-border e-commerce challenges anticipated in 2023-2024



244 respondents. Question: what issues do you see becoming more problematic for cross-border e-commerce in 2023?

Following on from the macro-economic environment, the next most pressing issues stem from changing trade conditions, with 37% concerned about deteriorating US-China relations and 33% citing a rising trend of protectionism.

We are currently within a phase of changing attitudes and approaches towards supply chains among policy makers. Areas seen as geopolitically strategic, such as microchips, have been the most targeted, however, and e-commerce is more likely to be affected by the knock-on effects from this shift, with a prevailing trend towards trade liberalisation being the overall global direction.

If we once again divide by geography, a number of regionally-specific dynamics emerge.

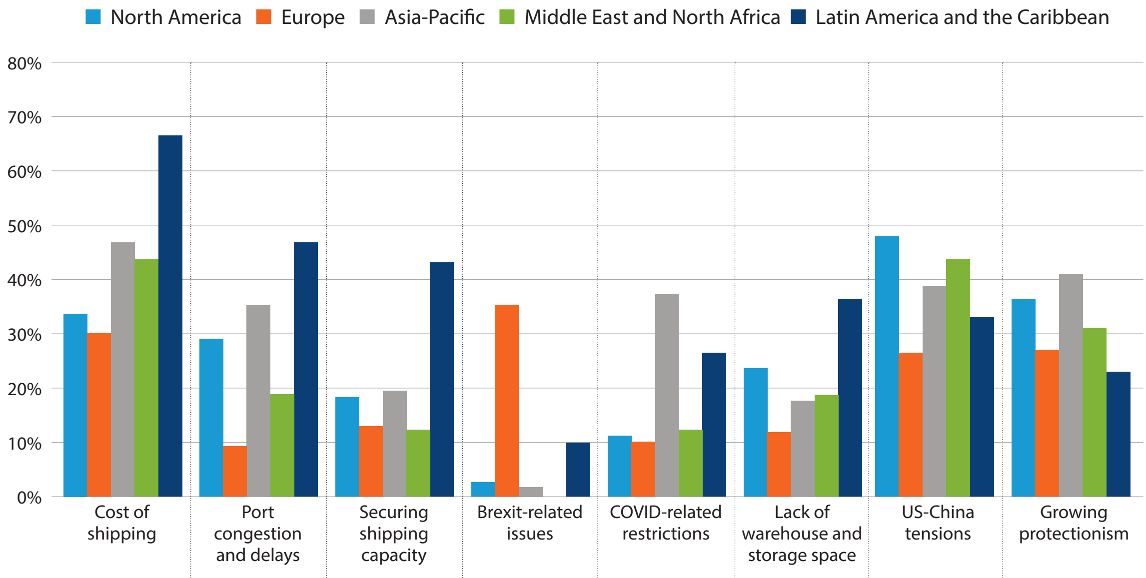
Firstly, it is clear from the data that securing reliable, cheap ocean freight has been a major challenge for those based in Asia-Pacific, the Middle East and Africa, with the wake of COVID still felt there. While all other regions see COVID as a minor risk in 2023, being selected by a little over 10%, in Asia-Pacific 37% expect it to continue to be an issue and 27% say the same in the Middle East and North Africa.

During the last three years, the trend has been to prioritise containers for routes to Europe and North America from Asia-Pacific ports, which have frequently been congested or backlogged, and to then move these containers back to major ports in Asia-Pacific. That has clearly left those in Asia-Pacific and the Middle East and North Africa struggling to secure shipping at competitive rates and the ripples of that are still being felt.

These regions topped others in the survey in their concerns over shipping costs (47% in Asia-Pacific and 67% in the Middle East and North Africa), port congestion (35% and 47%), and securing shipping capacity (20% and 43%). Respondents in the Middle East and North Africa were also most likely to note lack of warehouse space as an issue (37%), underlining problems in smooth transnational shipping within this zone.

While the overall direction is for a reduced level of disruption in shipping in 2023, a host of blank sailings, industrial action and empty containers piling up in **US** and **Chinese ports** means there is still plenty of potential for difficulties securing capacity on less heavily sailed routes.

Figure 13: Selected 2023 challenges by geography



	Cost of shipping	Port congestion and delays	Securing shipping capacity	Brexit-related issues	COVID-related restrictions	Lack of warehouse and storage space	US-China tensions	Growing protectionism
North America	33.8%	29.6%	18.3%	2.8%	11.3%	23.9%	47.9%	36.6%
Europe	30.3%	9.2%	13.2%	35.5%	10.5%	11.8%	26.3%	27.6%
Asia-Pacific	47.1%	35.3%	19.6%	2.0%	37.3%	17.6%	39.2%	41.2%
Latin America and the Caribbean	43.8%	18.8%	12.5%	0.0%	12.5%	18.8%	43.8%	31.3%
Middle East and North Africa	66.7%	46.7%	43.3%	10.0%	26.7%	36.7%	33.3%	23.3%

244 respondents

The other prominent trend we can see in comparing different regions are the effects of increased trade tensions and barriers, with Brexit perceived as a major issue in Europe and US-China tensions most concerning for those in North America.

For the former, it is largely a non-issue for most regions, reflecting the fact that the UK has been aggressively pursuing free trade agreements that often match what was already in place. In Europe, however, 36% of respondents in the region expect it to be a major issue over the year.

Given the referendum was held in 2016, it may seem confusing as to why this is still an issue, but it remains a massive hurdle for businesses both in the UK and mainland Europe, with new requirements coming into force over the last two years and a variety of elements, such as trade via Northern Ireland, still under negotiation (at the time this white paper was being written).

A **2022 survey of UK businesses from Avalara and the Centre for Economic and Business Research** estimated that the complexity of complying with taxes for UK exporters to Europe cost £47.6 billion in lost revenue. They also found that three-in-five UK exporters have reversed plans to sell in some European countries over fear of fines and compliance issues. This is clearly then still a considerable headache for European businesses set to continue in 2023 and 2024.

Turning to US-China tensions, North America naturally came top for reporting it as an issue (48%), but notably this was followed by respondents based in Latin America and the Caribbean (44%). The latter comes as no surprise when you dig down into the trade dynamics, however, with Argentina, Brazil, Chile and Mexico all reporting China as their first or second most important cross-border e-commerce market in **the IPC report**.

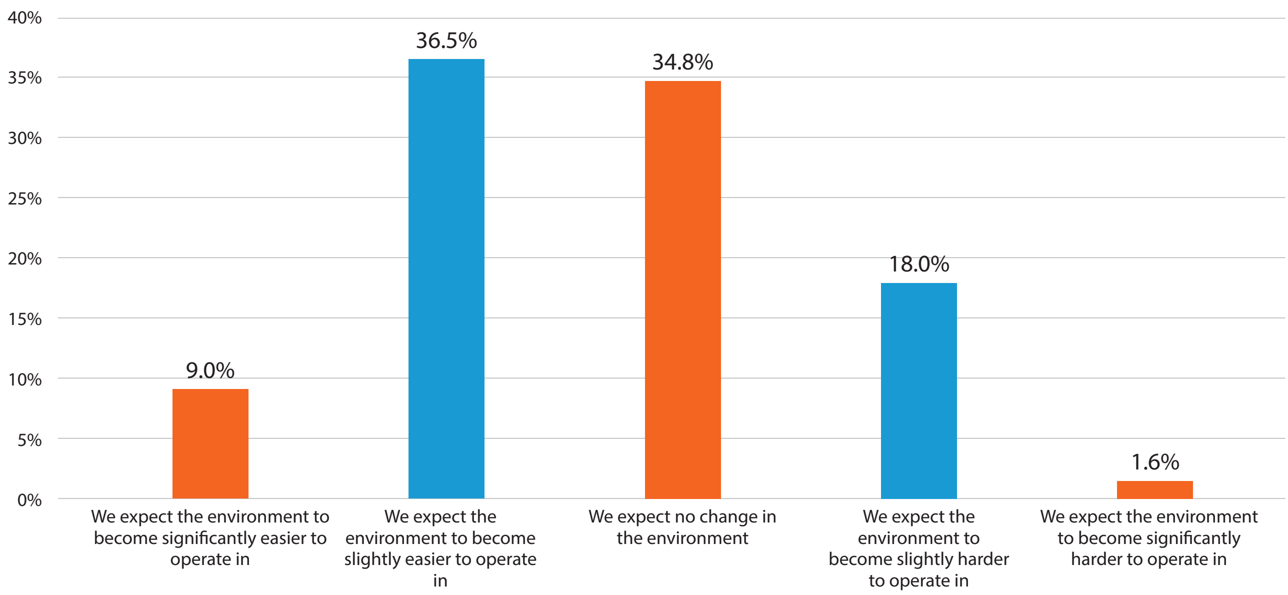
Given how the US sets the terms of trade for the world through regulation and control of financial systems, concerns of new punitive trade measures are understandable. Both North and South American businesses will be watching the space closely over the next 24 months.

2.4 Despite hurdles, supply chain sector optimistic

Even with all these concerns and complications, the overall sentiment is that conditions are, in fact, improving.

More than twice as many respondents expect the environment for cross-border e-commerce to improve than to deteriorate, with 46% expressing optimism and 20% anticipating deteriorating conditions. Some 35% expected no change.

Figure 14: Organisations optimistic about international e-commerce environment



244 respondents. Question: how do you see the environment for conducting cross-border e-commerce transactions changing over the next 12 months?

This may seem at odds with the findings in this chapter, where high shares of our survey population reported delays, added costs and issues complying with the underlying trade systems, as well as concerns regarding trade tensions.

However, it is worth remembering that the global trend is towards more liberalised trade and greater standardisation overall, rather than protectionism.

> We're seeing more preferential rates put in place versus punitive, which is obviously good for merchants, good for business and good for the buyer. It's conducive to, and encourages, trade between countries and means that the shopper is not paying as much as they may have done in the past.
>
> **Patrick Frith, Senior Prospect Marketing Manager, Global Solutions, Avalara**

World Trade Organisation (WTO) figures show that the number of Regional Trade Agreements has more than trebled since 2000, to 355 as of the end of 2022. Furthermore, these agreements increasingly have provisions explicitly dealing with e-commerce, often introducing moratoriums on customs duties for e-commerce goods, and typically cut aligned duties and costs.

Take two recent massive trade agreements: the United States-Mexico-Canada Agreement (USMCA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The former increased de minimis levels for shipments and removed the requirement for an employer identification number should the value fall under $2,500, both of which facilitate cheaper, easier e-commerce. The CPTPP has helped to smooth the digital framework and requirements associated with e-commerce and also has cut a number of tariffs between members.

These are representative of the direction for cross-border e-commerce overall, but also highlight that it is important to keep on top of what tariffs and duties need to be paid when new deals are struck.

3
The risks of failing to deliver on cross-border e-commerce promises

While increasing comfortableness with cross-border e-commerce purchases opens up a wider consumer base for many businesses, the creation of large-scale, digital marketplaces also enlarges the potential competitive playing field.

This means cutthroat competition not only in terms of price, but also in service level expectations. Failing to meet those because an item is trapped in customs can have severe effects on a business and will degrade how it is perceived by customers.

This makes it critical to try and reduce friction and unnecessary cost in cross-border e-commerce supply chains.

3.1 How often are e-commerce shipments delayed?

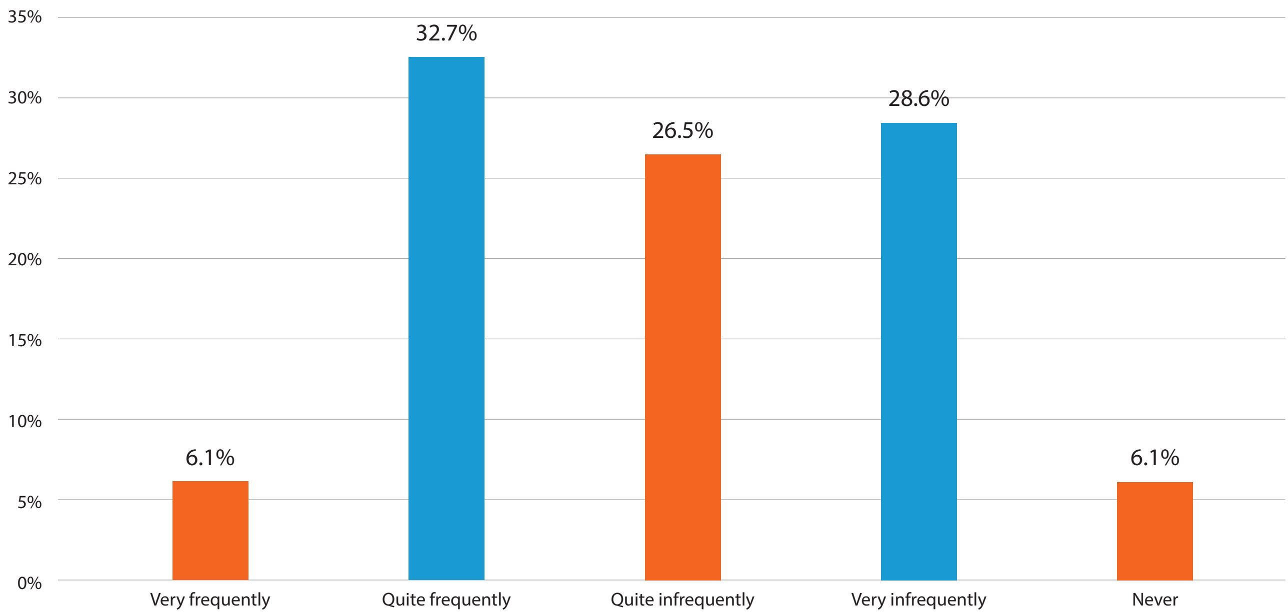
As noted in the previous chapter, sending goods abroad means overcoming a broad array of challenges, the most common of which are facing up to delays as a result of incorrect documentation and goods classification.

When we dive down into how often those delays occur, it is at a problematically high rate.

A total of 94% of those responsible for handling their organisation's cross-border e-commerce operation said that they encounter delays as a result of incorrect classification and documentation. Breaking that down further, 39% said that they face frequent delays, while 55% only face occasional delays.

As noted earlier, these delays are often associated with failing to provide correct documentation alongside the shipment, and we can see how more complex trading environments lead to more delays when the respondents are divided by geography.

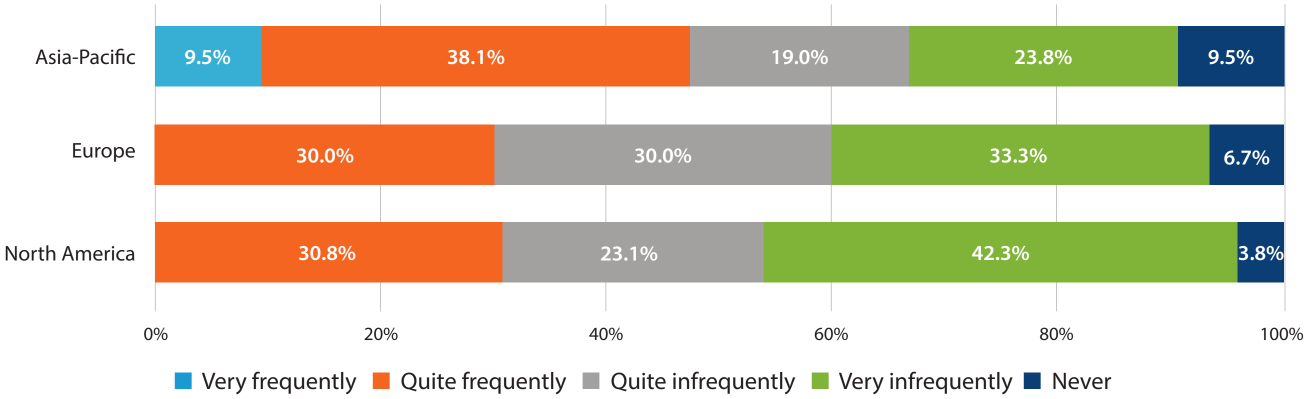
Figure 15: Frequency with which e-commerce goods are delayed due to incorrect classification and documentation



98 respondents

> In terms of e-commerce goods, penalties aren't the biggest issue. It's more about ensuring your speed through clearing. If you don't put a correct tariff code on there … or if you don't give them full product descriptions, they're going to hold your goods in customs. That's the biggest headache that comes with e-commerce.
>
> **Evan Wright, Senior Director of Growth, Cross Border, Avalara**

Figure 16: Frequency of delays caused as a result of incorrect classification and documentation by geography



98 respondents

Whereas most e-commerce trade in North America and Europe operates within integrated regional trading blocs, counterparts in Asia-Pacific must operate in a more fragmented environment. This is why nearly half – 48% – of respondents in Asia Pacific face frequent delays compared to just over 30% in Europe and North America.

This underscores how the potential risk of delays rises with each item of documentation and how the terms of trade dictate how smoothly e-commerce goods move.

3.2 What are the costs of failing to make on-time deliveries?

These delays have the potential to become a crushing force on e-commerce businesses, as customers seek speed above almost any other factor when making digital purchases, but also dislike being surprised by sudden changes in delivery windows and are likely to carry over poor perceptions for a brand if it misses expectations.

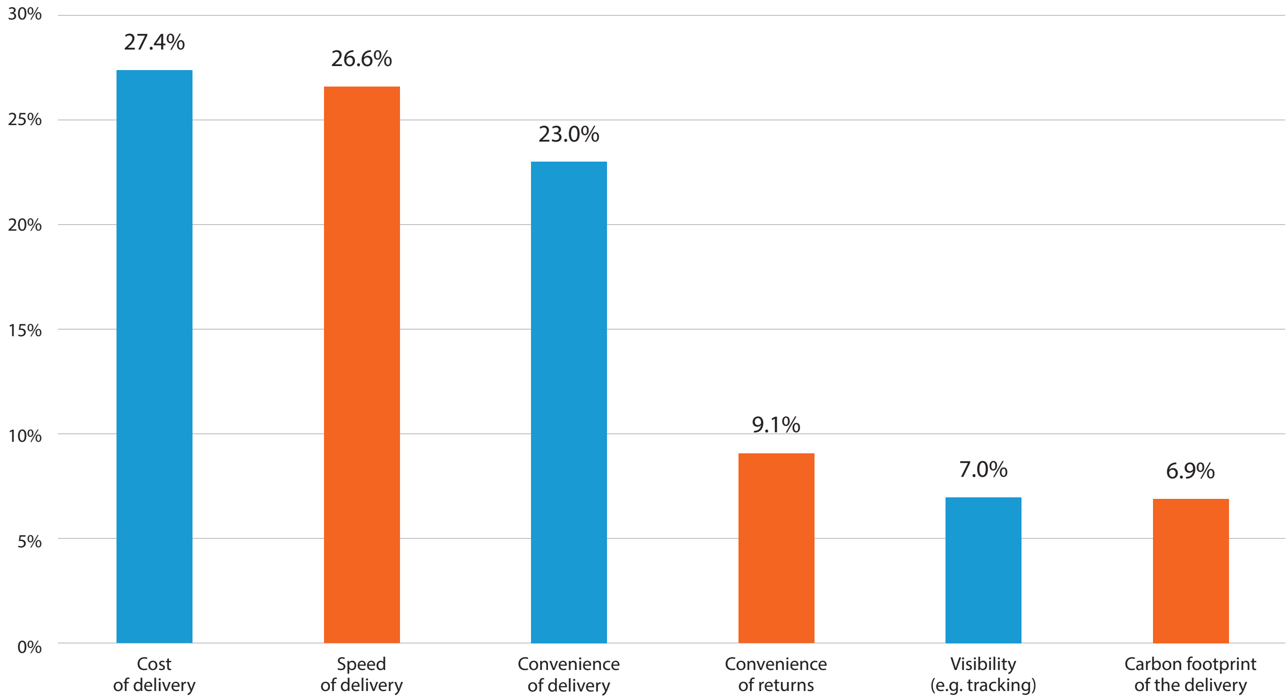
According to **IPC's consumer survey**, speed of delivery was the second-highest priority after cost, followed closely by convenience of delivery. This makes speed and reliability of the transit process an important competitive advantage.

Furthermore, a delay also increases the probability of a good being returned. This is already a problematically expensive exercise when doing so within one's own country, but can be cripplingly so when attempted cross-border.

Reuters Events, Supply Chain research uncovered that 72% of European retailers find returns a burden on their businesses, and that costs in the industry were rising.

That burden is substantially more for a cross-border return than a domestic one. Should the cost be borne by the business, then there are substantial shipping costs that may exceed the value of the good ever making it back and being processed for resale. Should the consumer be responsible for the return, then this is often a shock to them, it may require them to engage with authorities to be refunded on duties

Figure 17: Consumers' top priorities when considering shopping online



Source: Retail Economics, 2022

and it also undermines the perception of convenience.

Therefore, the best remedy for this is to enter the segment of our survey that 'never' find goods are delayed in customs due to error through putting in place highly reliable processes.

3.3 What are the costs of failing to meet customer experience expectations?

The transit time for a good is obviously critical, but that speed doesn't just start and end at the shipping process, it also encompasses how quickly and easily consumers can complete the other aspects that go with making and receiving a cross-border e-commerce purchase.

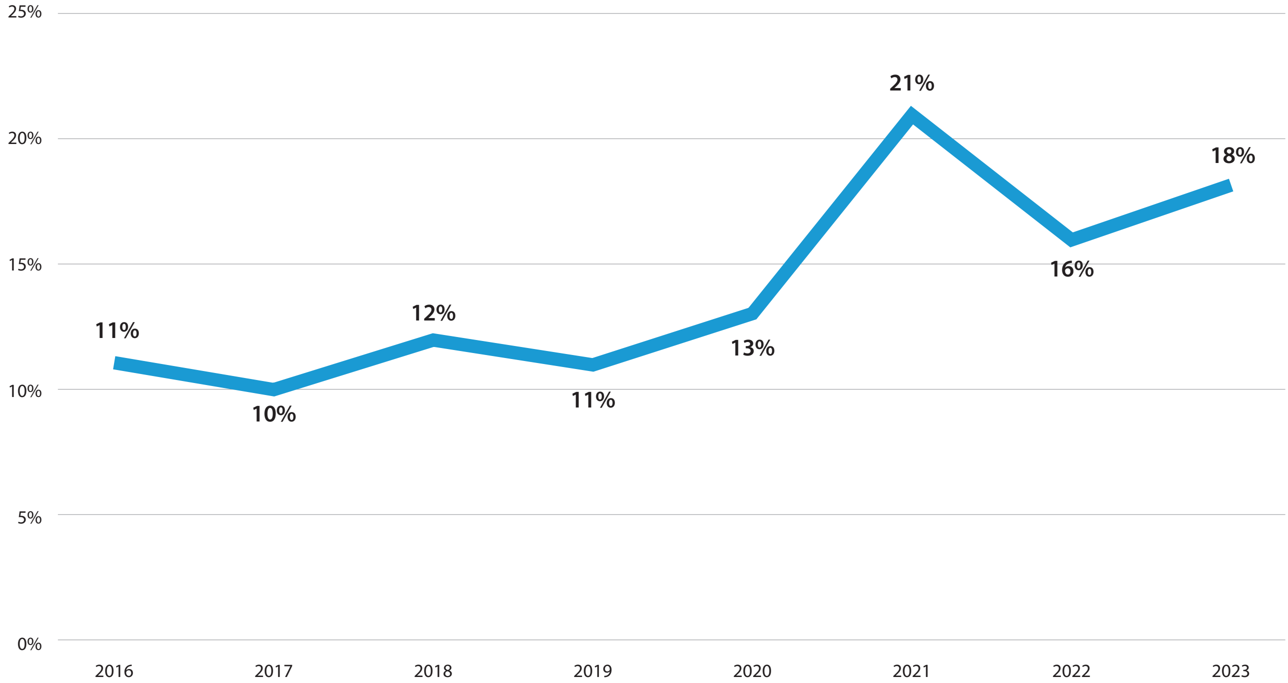
Shippers and companies should therefore put a premium on making the checkout, customs and returns process as transparent and rapid as possible in order to draw in and retain customers.

> Most brands in the market today are trying to really curate that customer experience. They're creating an amazing online experience to create that repeat purchase. So cross-border e-commerce is more of a customer experience issue than anything else in my opinion.
>
> **Evan Wright, Senior Director of Growth, Cross Border, Avalara**

That need has risen since the start of the pandemic, as many more consumers have become comfortable with making cross border purchases and so the share paying customs fees has noticeably climbed.

While pre-pandemic the share of consumers paying customs fees in the IPC survey was relatively stable, hovering between 10-12%, the latest results say that 18% paid duties and the share has been elevated since 2020 in the 25 countries they study. There is considerable variance here, however, and while EU countries like Portugal and Belgium see less than 10% of consumers paying fees, that can rise to 73% in India or 48% in China.

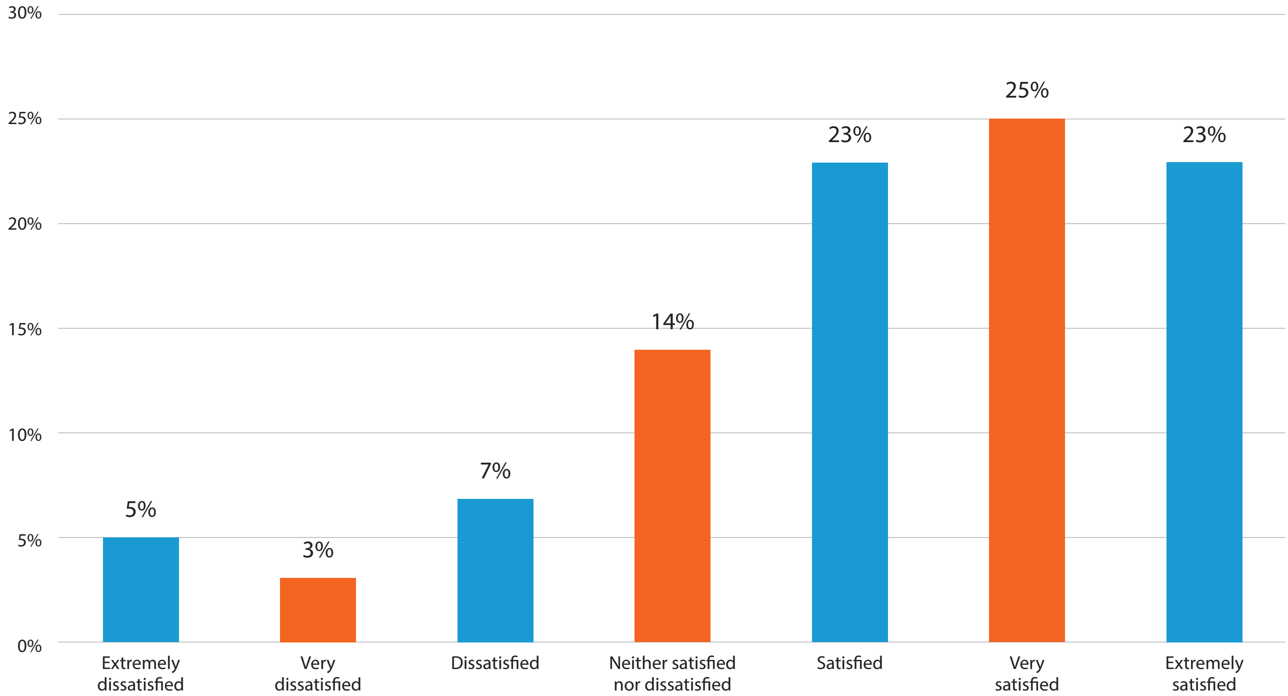
Figure 18: Share of consumers that paid customs fees on their most recent cross-border online purchase



Source: IPC, 2023

The IPC notes that although the share paying these duties before the parcel arrives has risen over the last few years, still only 50% of respondents made the payment at the point of purchase, typically seen as the optimal moment.

Figure 19: Percentage of consumers satisfied with customs process when making a cross-border e-commerce transaction



Source: IPC, 2023

These kind of inconsistencies and potential moments of friction in international e-commerce do have a material effect on customer experience and consumers really notice when they come up against a customs issue, especially if they are then tasked with resolving it.

In **the IPC survey**, when consumers were asked how satisfied they were with the aspects of delivery location, cost, returns, speed, customs and parcel tracking, customs came out a clear bottom. While 94% were generally satisfied with the delivery location and 91% with how their parcel was tracked, just 71% said that they were happy with the customs process.

This underscores why we are seeing a trend towards Delivery Duty Paid (DDP), which is the process of collecting all fees at the point of purchase, and how it can help the overall customer experience. However, this requires accuracy, currency of data, and high functionality to succeed.

4
Cracking the code for smooth cross-border e-commerce

Handling cross-border e-commerce smoothly and quickly is of growing importance to shippers and companies worldwide. The trends driving this are:

- An increasing appetite and comfortableness among consumers to shop internationally.
- An increasing share of sales coming from cross-border e-commerce transactions.
- An increasingly diverse base of countries where goods are sought and where potential customers originate.
- A potentially costly and complex environment to operate in, where the rules and regulations differ between jurisdictions and are subject to change.
- A customer base that increasingly wants speed and convenience when making cross-border purchases, while doing so at low cost.
- A significant risk when expectations are not met as a result of not complying with required documentation and duties.

The remedy is to understand the rules, regulations and fees required at the point of purchase, incorporate these into the checkout process, and ensure that they are met accurately after this point whenever required.

Given the myriad of regulations, the potential nuances in classification, the constant cycle of updates to global trade conditions, and the need for accuracy and rapidity in meeting those, automation and specialisation have emerged as two crucial counters to these challenges.

Our results have found that a high share of those tasked with customs and duties are now using tools and partnering with domain experts to improve their cross-border e-commerce operation. These have resulted

in a range of positive effects and demonstrate that a highly labour-intensive approach cannot keep up, even as international e-commerce tends towards less regulation and more free trade.

4.1 Technology increasingly central to processing trade documentation

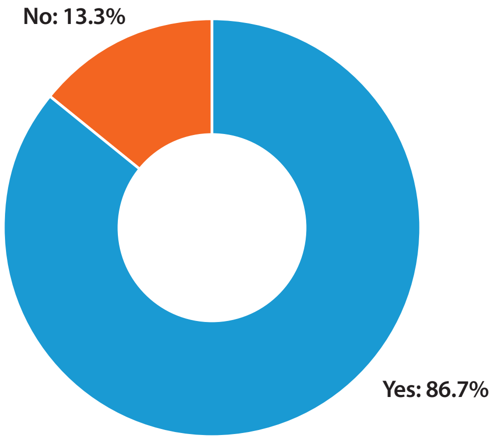
Among those that handle customs compliance and duties for their organisations, digitalisation of trade processes is now the norm according to our results and there is no reason to suspect that it will not continue to grow in importance.

In the survey 87% reported using technological aids when handling trade documents and 74% said that they automate invoicing for tax and duties.

The primary driver for this adoption is to handle the complexity inherent in international trade, while being able to conduct business at speed.

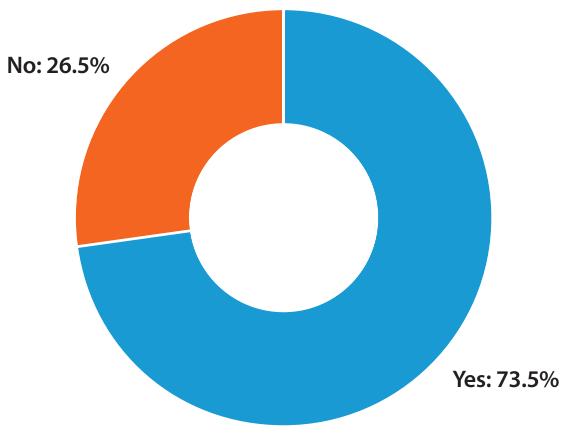
Automation allows HS codes and relevant taxes to be drawn from databases, added together and applied to shipments instantly, even as they vary from country-to-country.

Figure 20: Do you use technological aids to process and/or file trade documentation?



98 respondents

Figure 21: Do you automate invoicing for duties and taxes?



98 respondents

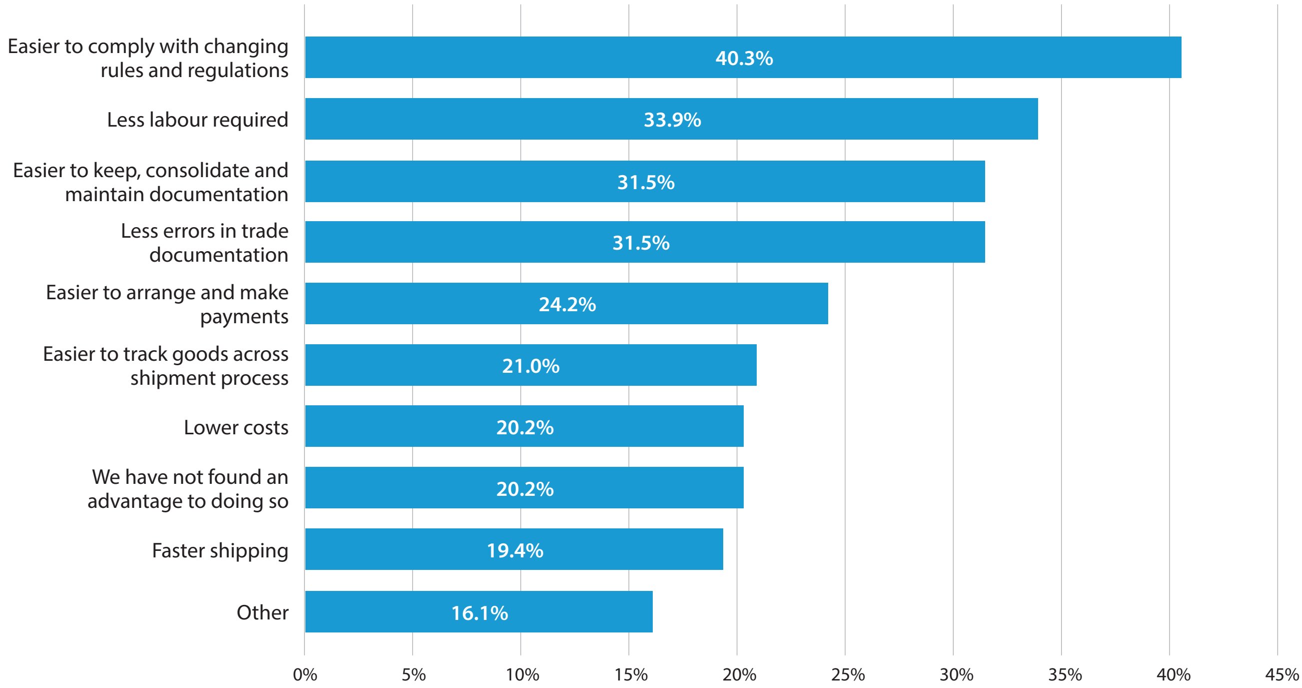
Cross-border e-commerce has flown underneath the radar for quite some time in terms of customs and government scrutiny. However, due to the volume of packages flowing through customs today, there is a lot more scrutiny on it, a lot more eyeballs trying to figure out what is actually flowing through in these parcels and therefore they're creating more requirements.

Conversely, technology … has made it substantially easier to create a cross-border commerce experience, particularly on the localisation side of it, such as the currency conversion, the language translation and the checkout ability. Additionally, a lot of the logistics networks have been really beefed up to handle that cross-border e-commerce volume.

The technologies are all there to help you create and make an amazing cross-border experience for your customers. However, compliance will always be the headache you have to deal with in order to tap into that market, so that's where we cook.

Evan Wright, Senior Director of Growth, Cross Border, Avalara

Figure 22: If you outsource HS classification, duties and tax calculations to a solutions provider or partner, what advantages does this provide? (Select all that apply)



124 respondents

We can further see how documentation accuracy is the main reason behind automation and specialisation when we asked about outsourcing. Here, the top advantage from partnerships with external partners was better compliance with the constantly updating set of rules and regulations (40%). Furthermore, 32% said it simplified filing documentation and the same percentage again said that it reduced errors, which can be incredibly costly for e-commerce sellers.

There are other gains noted by our population though, with labour freed by outsourcing a major advantage (34%), 24% finding the payment process smoother and 21% improving visibility.

4.2 Improving how customers interact with a complex space

As noted in **section 3.3**, customers are more exposed to international trade rules than ever before, but can quickly be put off when confronted by that complexity. This is an additional area where automation and partnership stand out.

They allow the foundation for a move to DDP and therefore calculating the cost of compliance and shipping at the point of purchase.

This reduces an area of friction and diminishes the risk of the customer not understanding what the full cost is and becoming frustrated, or even returning the good(s) at high cost to the retailer.

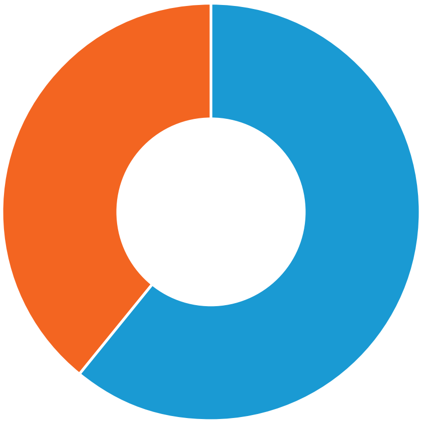
We can see that progress is being made in this area within our survey, although at the consumer level there appears to be some lag in implementation.

Sixty-one percent said that they are able to show a DDP calculation to the customer at checkout, which is ahead of the 50% reported by consumers in **the IPC survey**.

The latter figure from the IPC has only risen 2% from the **2017 edition of their survey** and is noticeably lower than our figure. This suggests that there is more complexity in presenting complete costs to consumers than businesses and that progress is only being made incrementally for B2C cross-border transactions.

Nonetheless, we can expect this payment option to increase over the next few years and cement itself as the industry standard.

Figure 23: Do you know, and present at checkout, the complete landed cost of imported goods?



98 respondents

> E-commerce is all about customer experience.
>
> What the industry is moving towards is collection and inclusion of duties in that checkout experience so that you don't have any surprise fees at the door, because if you got that experience from me shipping to you, you're probably not going to come back and order from me again.
>
> I would say it negatively affects conversion by 30% to 40% if customers see no duties calculated in checkout. It's even higher if they see a big discrepancy between what they think they should be charged versus what is actually charged.
>
> Consumers are savvy, especially cross-border consumers today, in terms of what they should be paying.
>
> **Evan Wright, Senior Director of Growth, Cross Border, Avalara**

4.3 De minimis is an opportunity for minimising costs

If organisations have full visibility on the cost of both goods and shipments, then they can maximise the cost savings possible in those terms of trade. One route for this is in de minimis, which is a threshold set by each jurisdiction, under which goods can pass through without paying customs duties and taxes.

That threshold varies considerably where it does exist, **ranging from the equivalent of a few dollars in some locations up to $800 in the US**.

Passing under it is not only therefore cheaper in shipping terms, but also as tariffs are not applied and it is shipped direct to the customer with low-to-no customs checks, it makes delays less likely at the border.

Given customers focus on shipping speed and cost above all else, this can therefore make it a critical piece of the compliance puzzle and a competitive edge.

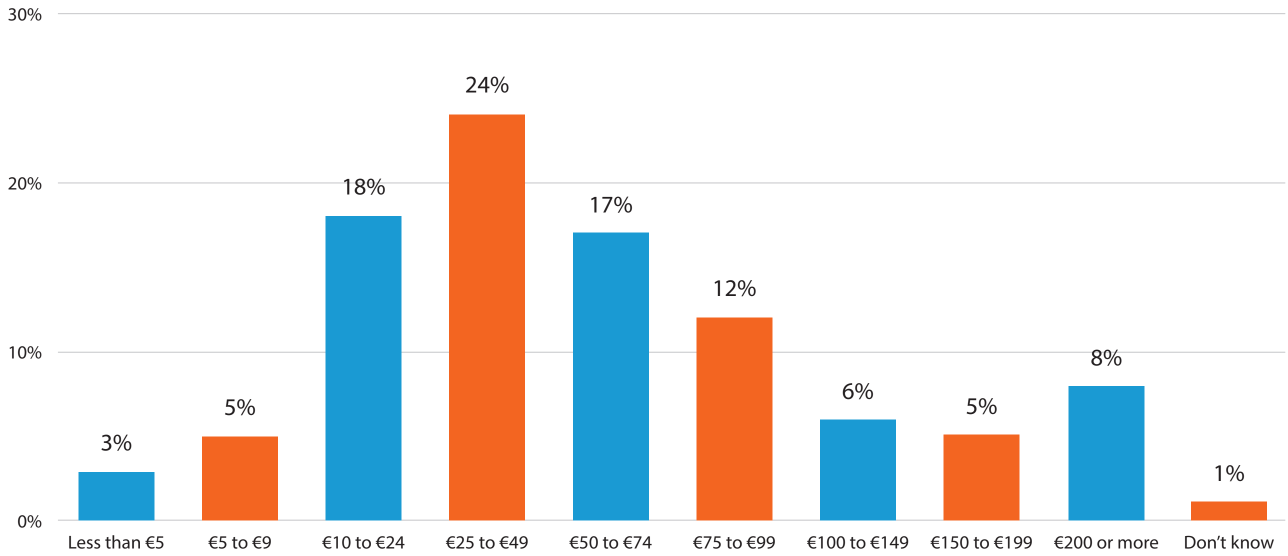
Our results suggest that there is room to further utilise de minimis thresholds to improve business performance.

Our relevant survey population told us that 31% of the e-commerce goods they ship currently fall under de minimis thresholds, which is a substantial amount.

However, looking at **IPC results** we can see that a majority of global cross-border e-commerce purchases by consumers are likely to pass under de minimis rates.

30.6% of e-commerce goods shipped by organisations in the survey are under de minimis

Figure 24: 79% of purchases made by consumers fall below the de minimis requirements for North American and European jurisdictions



Source: IPC, 2023

Currently, the lowest de minimis threshold for customs duties in North America, the UK and the EU is Canada's CAD150 limit, equivalent to roughly €100 at the time of writing. This translates to 79% of e-commerce purchases made by the global IPC survey population.

With de minimis sitting at €150 in the EU and $800 in the US, then there is potentially even more room to play with, although it must be noted that huge global populations in **Brazil**, China and India have a much lower de minimis rate or no direct equivalent legislation.

It stimulates trade when de minimis values are raised, as you get more merchants attracted to the markets where those trade agreements are put in place.

However, even in these cases, there's still de minimis. It doesn't go away, it's just raised, so, there are still tax and duty responsibilities if the minimum thresholds are reached and exceeded.

Furthermore, while de minimis values are largely being raised, we're increasingly seeing governments, particularly in Europe, demand HS codes because they, quite rightly, want to know what's entering their country.

Patrick Frith, Senior Prospect Marketing Manager, Global Solutions, Avalara

While our survey does not differentiate between B2B and B2C focuses by businesses, which likely accounts for some of this disparity due to a higher value per shipment for B2B transactions, it does strongly suggest that businesses are leaving money on the table when it comes to de minimis duty rates.

Moving to maximise this regulatory framework will necessitate further automation.

Penalties for failing to comply are substantial and companies can lose access to preferential programs and be blacklisted for doing so. Therefore, each transaction needs to be assessed correctly in the context of the specific market's requirements, which at scale can only really be done via automated means.

Systems now exist that can process a shipment and instantly compare it to de minimis requirements. Implementing such a system means shipments can be broken down to fit under thresholds safely and shippers can have confidence in meeting requirements, rather than defaulting in the case of borderline items to the assumption that they are above de minimis and incurring charges.

5
Conclusion: the emerging foundation for cross-border trade

So, what is the state of global cross-border e-commerce in 2023?

In summary, it is a world of contrasts. On the one hand there remains complexity in conducting operations and a noticeable burden for both exporters and customers, but there is also enormous room for optimism.

Although still far too many shipments are delayed in customs and many operators struggle complying with the array of different duties, classifications and tax requirements, the solutions have never been clearer or easier to access. Those making shipments can increasingly draw on automated, consistent, constantly updated databases to calculate the right duties and taxes due and then apply them transparently to customers at the point of sale.

Similarly, while concerns are rising around growing protectionism and international tension, the environment for cross-border e-commerce is largely easing, with more direct provisions in trade agreements for cross-border e-commerce, rising de minimis thresholds and expanding free trade areas being the general trend.

Those dynamics are driving what is unequivocally a growing and increasingly geographically diverse market, as both customers and companies become more comfortable with international shipping and making those sales and purchases in ever further-flung locations.

Therefore, while 2023 has an aura of uncertainty for e-commerce operators, with the spectre of recession and inflation hanging over the sector, the longer-term trends are unequivocally bright.

Methodology

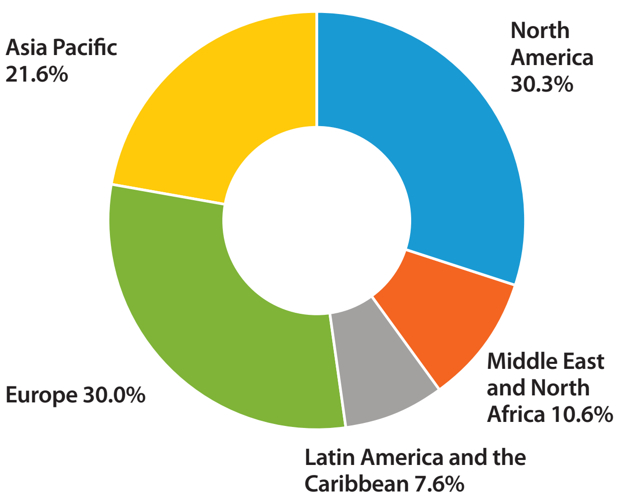
This survey was conducted between December 16th 2022 and January 26th 2023 through Reuters Events, Supply Chain database of supply chain professionals, alongside selected distribution partners focused on the supply chain space.

The survey drew in 732 total respondents who started the survey. From this initial total, 465 respondents finished the survey to end through respective survey pathways.

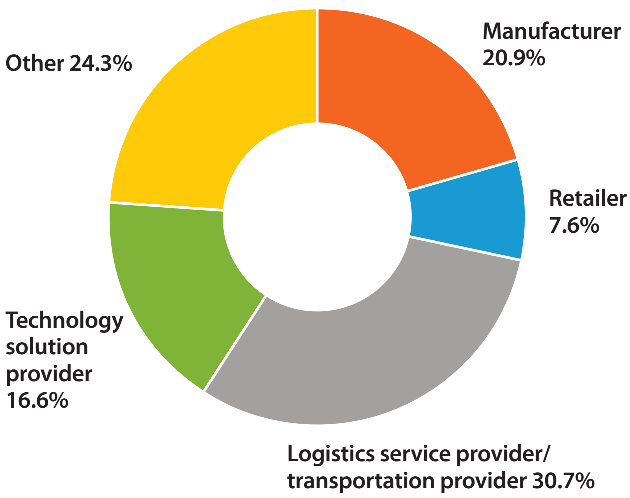
Within the initial total of respondents, 436 identified as coming from manufacturers, retailers or Logistics Service Providers (LSPs).

Survey respondents were asked the qualifying questions, 'Does your organisation make cross border e-commerce sales, or plan to in the near future?' The 346 respondents that answered yes to this question provide answers for the results presented in this white paper with the exception of Figure 1.

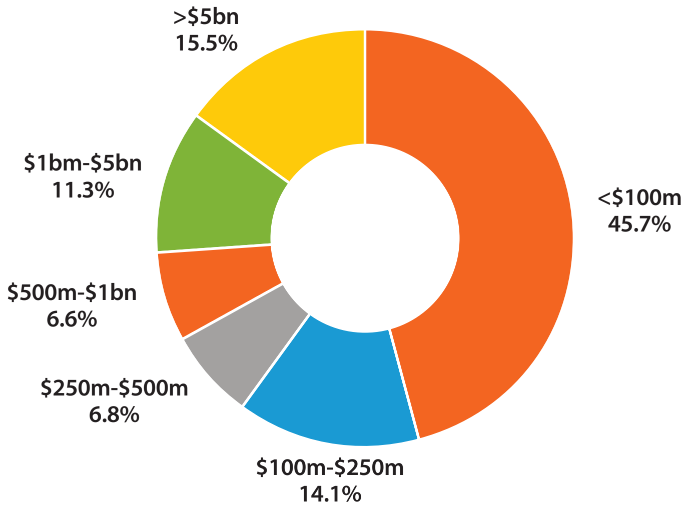
Respondents by location of organisation



Respondents' organisational sector



Respondents by organisation's revenue



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