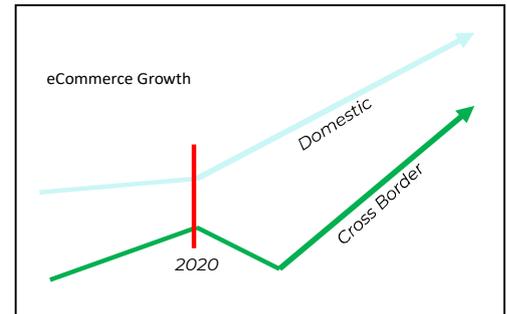


The future of Cross Border eCommerce in the Corona era

Global eCommerce was pre-Corona representing a business of almost \$ 4.0 trillion from which 20% was Cross Border. The Corona crisis resulted in a (fast) growth of domestic eCommerce. In Europe and the US some domestic eCommerce categories have shown a growth of up to 40%. Fast growing eCommerce categories being for example, personal care, apparel and footwear, consumer electronics and home and garden.

Cross border eCommerce is declining as the result of the lack of (air) transport capacity, the closure of borders and the impact Corona has had on consumer trust.



Within SKS we believe that the global parcel delivery infrastructure will be restored quickly as a result of the need to make up for the current economic losses. Cross border can grow even faster by leveraging on the new online demands. Several postal operators have already re-invented Sea Post and integrators have started to augment their airlift capacity

Corona is however one of the elements that is currently impacting the growth of Cross Border eCommerce. 2020 and 2021 will be characterised by huge changes in the regulatory framework that are applicable to the international exchange of low value parcels. Major regulations that will impact the cross-border eCommerce industry are for example:

1. The US Stop-Act which requires the provision of valid electronic data for custom clearance purposes
2. The VAT modernisation in the EU and UK which will lead to the removal of low value thresholds and which will put the obligation to declare and pay for VAT on the sending retailers or marketplaces
3. The obligations posts will have to comply with the requirement to perform an Entry Summary Declaration when importing to the EU as of the first of March 2015
4. The huge increase in international distribution costs resulting from the new international (UPU) agreements that are regulating those costs. Estimates are that the Terminal Dues will on average increase between 20% and 30% in 2020. Expectations for 2025 are between 165% and 300% depending on country of origin

Clear is that all the above-mentioned changes will have to be translated by International Retailers, Marketplaces and their Logistical, Fulfilment and Payment Suppliers in new business models. Omni-channel concepts will need to be re-defined and international supply chains will have to be adapted to the new reality.

Posts will for example need to re-invent their international export and import strategy regarding low value parcels and packets. This if they want to maintain their current market share is the distribution of those parcels and packets. A market share which is for the B2C segment currently estimated at 70%.

The SKS is consisting of a network of Associates that are all experienced and understanding the developments and can support the definition and implementation of strategies that will meet the current challenges such as:

- The definition and implementation of new international delivery strategies for Posts
- The setup of new international delivery infrastructure and networks for retailers and marketplaces
- The setup of new supply chains that are meeting the demands of new Omni-channel concepts

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