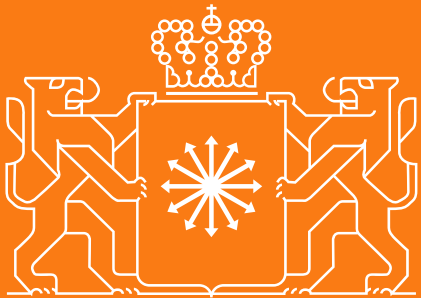


Holland International Distribution Council



Holland
International
Distribution
Council

INVEST IN
Holland

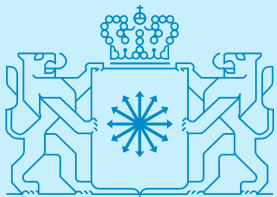
Servicing your European clients

Stan de Caluwe
December 2020

1 december 2020

Agenda

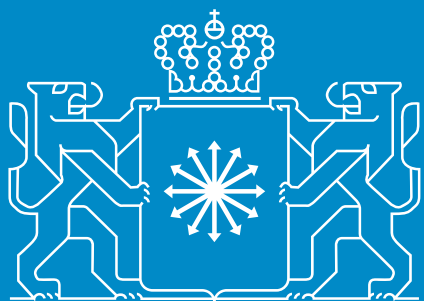
- Introduction
- The European market
- 'Ok, let's go to Europe'
- E-commerce in Europe
- VAT, customs and Brexit
- How did others do it?
- Why the Netherlands?



Holland
International
Distribution
Council



Introduction



Holland
International
Distribution
Council

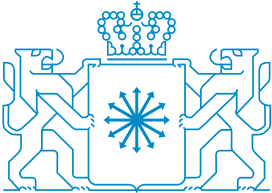
INVEST IN
Holland



About NDL/HIDC

Holland International Distribution Council (NDL/HIDC)

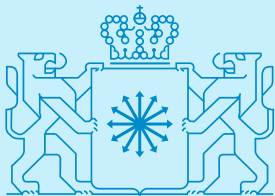
Private non profit organization representing 300 members. Founded by the Dutch logistics industry in 1987



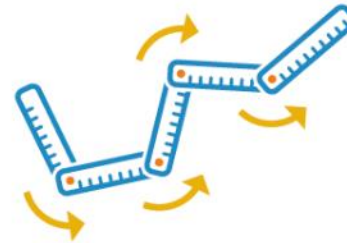
Holland International Distribution Council

Our focus

- Exporters from North-America and Asia
- Entry into the European market from a Supply Chain perspective
- Redesign /optimizing existing European Supply Chains
- Covering multiple industries, e.g.
 - High Tech
 - Industrial
 - Life Sciences
 - Food and Agri
 - Fashion
 - Chemicals
- In close cooperation with Canadian provinces, Canadian Trade Commissioners and the Netherlands Foreign Investment Agency (NFIA)
- Services confidential and free of charge



Holland
International
Distribution
Council



Advice on European supply chain structures and assistance in definition of logistics requirements



Fact finding trip in The Netherlands to meet potential partners



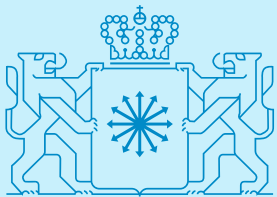
Neutral advice on logistics partner selection



Assistance with every step now and in the future

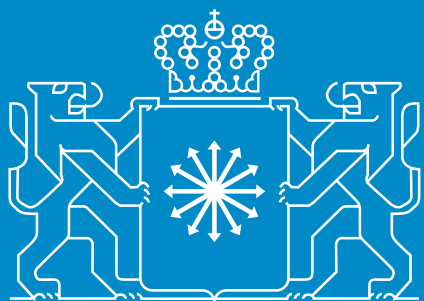
Logistics in the Netherlands

- Trade engrained in Dutch history
- € 75 billion (9,4% of total GDP)
- 942,000 jobs (8,8% of total)
- 31,3 million m2 warehouse (337 million sq feet) (+30% since 2009)
- Dutch import value/capita is almost four times higher than in the U.K. and Germany and 80% of imports are for EU market



Holland
International
Distribution
Council

The European market



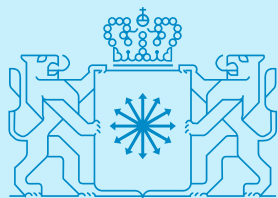
Holland
International
Distribution
Council

INVEST IN
Holland



EU market

- Second consumer market in the world
- More inhabitants than the U.S. and Canada combined
- Single customs union, so once your products hit EU territory, it is free to move



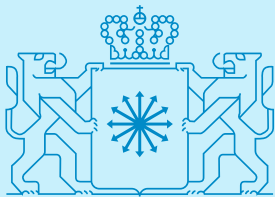
Holland
International
Distribution
Council

Market size (number of inhabitants)

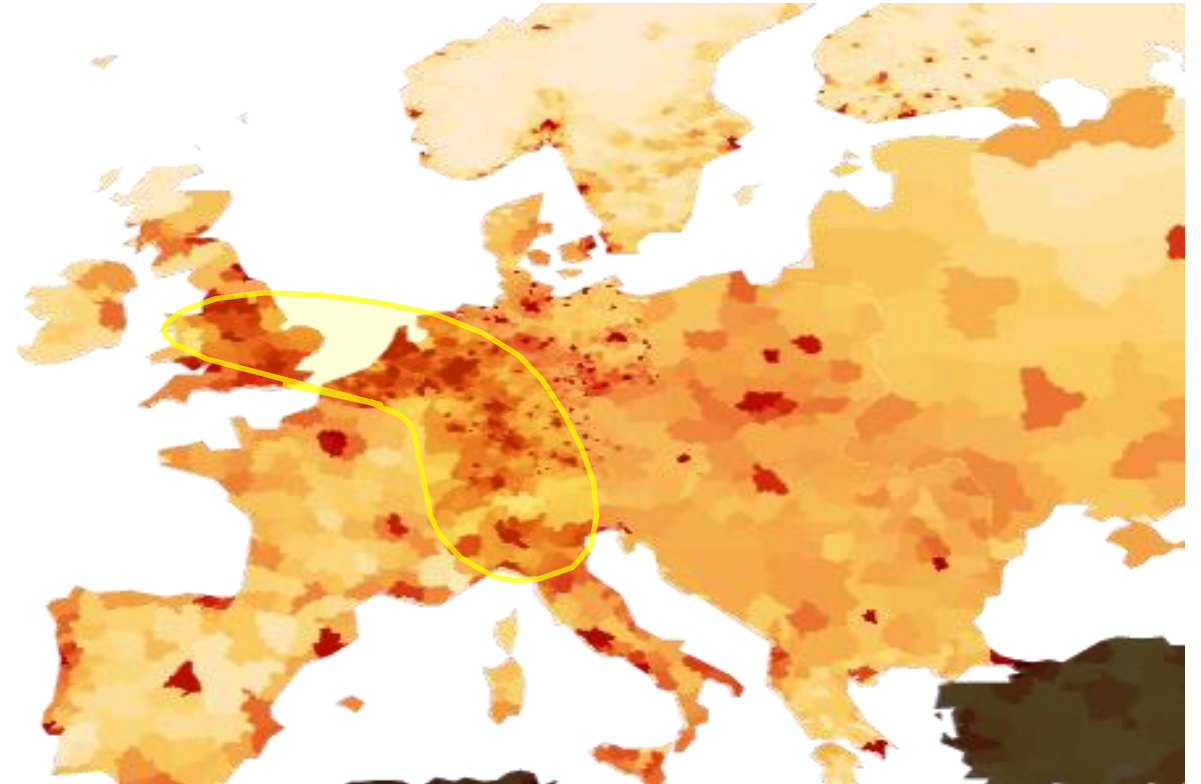
North America	580	Europe	520
USA	321	European Union	446
Mexico	121	<i>Germany</i>	83
Canada	36	<i>France</i>	67
		<i>The Netherlands</i>	17
		United Kingdom	66

Where is the buying power?

- The Economic 'Banana' is an almost continuous urbanized region (red is dense population) of 110 million people stretching from Northern Italy, through Germany and and the Low Countries, into England.
- It represents the bulk of EU buying power
- Main economic centers remain in Western Europe

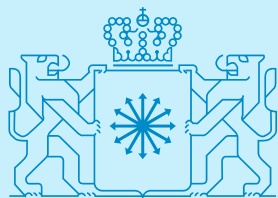


Holland
International
Distribution
Council



Entry points into Europe

- Germany is the largest import destination in Europe from outside the continent
- The Netherlands is the second largest exporter within Europe
- Most of the products are imported by sea, Rotterdam and air, Schiphol and distributed across the EU

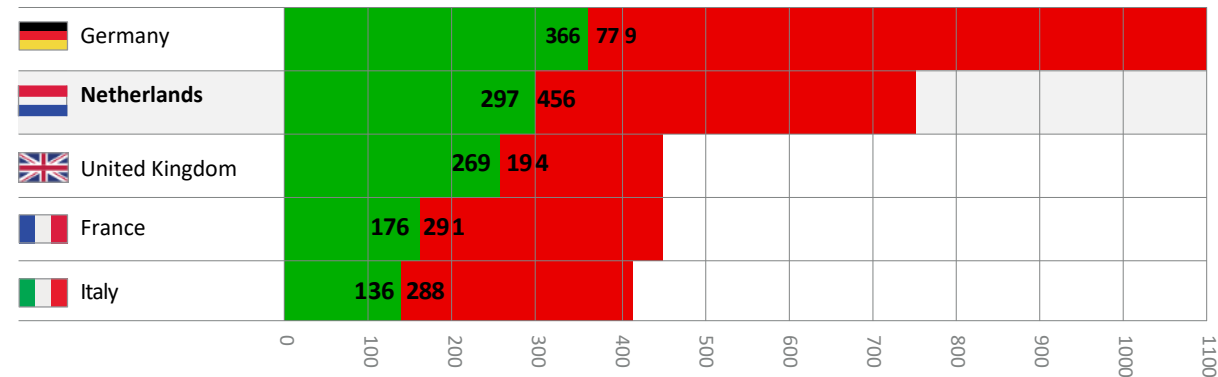


Holland
International
Distribution
Council

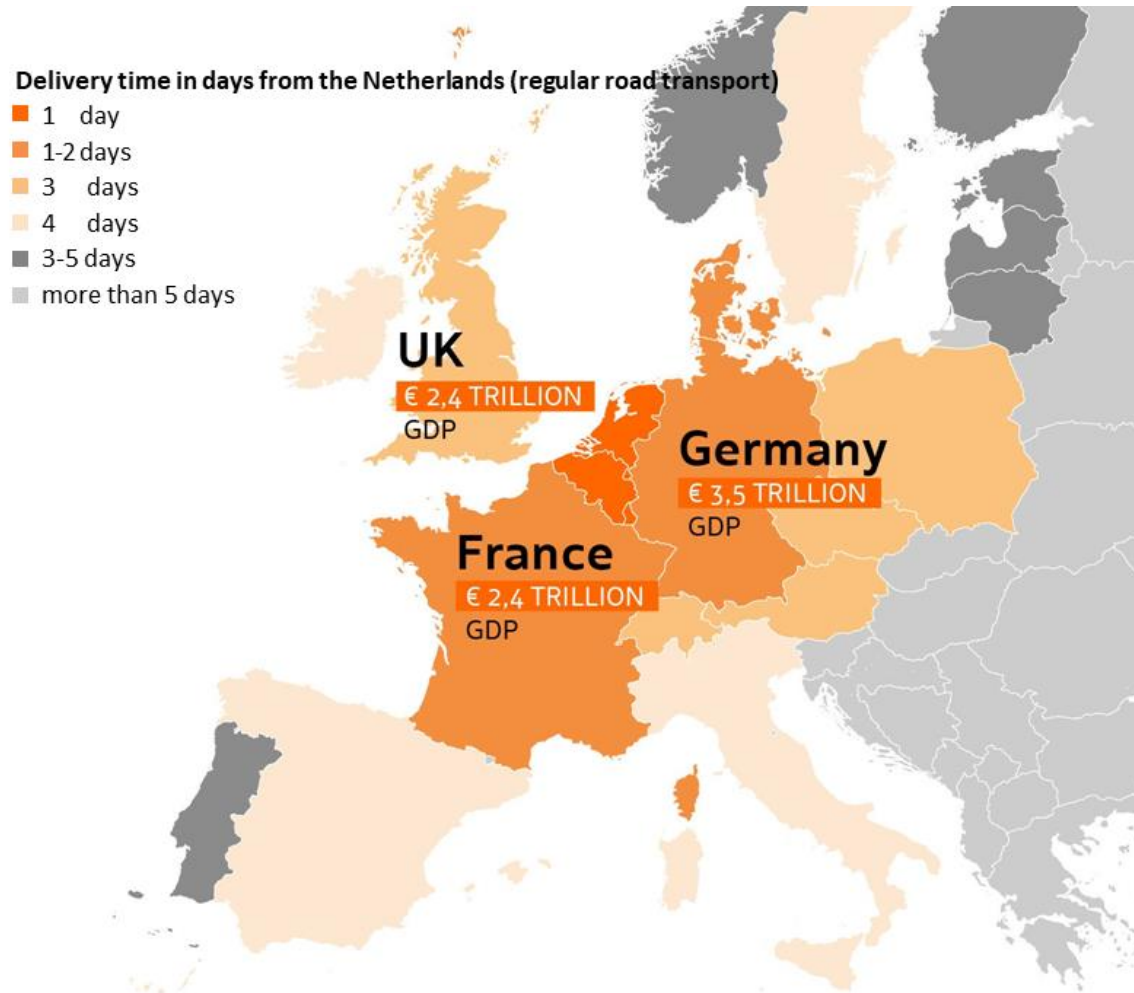
Import & export value (2018)

x billion euro

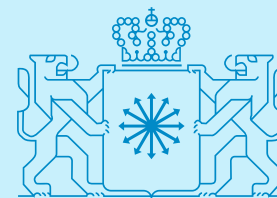
- Import from overseas (non-EU)
- Export to (rest of) EU



Europe is small



- The three main markets in Europe are at arm's length from the Netherlands
- Most EU customers can be reached within 2-3 days of regular road freight
- Express networks provide overnight and 24 hour services



Holland
International
Distribution
Council

Differences between countries

Economics

Market size

Buying power

Growth/
outlook

Innovation

Finance

Corporate taxation

Indirect taxation

Currencies

Subsidies/
incentives

Legislation

Labor laws

Intellectual property

Patents

Export/import

Culture

Language

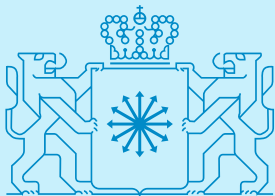
Customer preferences

International orientation

Business practices

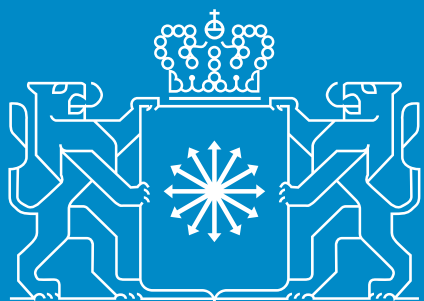
From international companies this requires:

- Awareness and taking into account implications of national differences
- Willingness to commit resources to obtain local market expertise
- A differentiated European market strategy and a dedicated business plan



Holland
International
Distribution
Council

'Ok. Let's go to Europe'



Holland
International
Distribution
Council

INVEST IN
Holland



Road map for entry to the EU market

1) Understanding the market:

- ✓ *Market size*
- ✓ *Market structure*
- ✓ *Country differences & cultures*
- ✓ *Language implications*

2) Regulatory environment:

- ✓ *Compliance (CE/REACH), IP*
- ✓ *Export/import*
- ✓ *Patents*
- ✓ *Labor law*

3) Setting a clear business strategy:

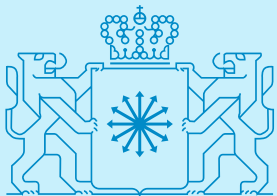
- ✓ *Sales & Marketing plan*
- ✓ *Product / market allocation*
- ✓ *Service offerings*
- ✓ *Route to market and sales channels*

Logistics = business enabler

Logistics ≠ business driver

4) Design a flexible and efficient operational structure:

- ✓ *Distributors*
- ✓ *Sales*
- ✓ *Own organization*



Indirect supply chain model



Sourcing location



Goods sold FOB, EXW, CIF to European customers

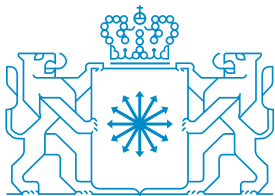


Limitations for you:

- ✓ No direct contact with your customer
- ✓ No market data
- ✓ Distributors are serving more manufacturers
- ✓ Difficult to anticipate outside forces
- ✓ Long lead-times
- ✓ Not competing with local players in the market

European customer (e.g. distributor):

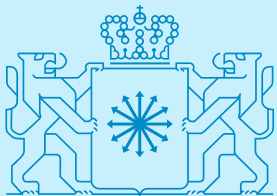
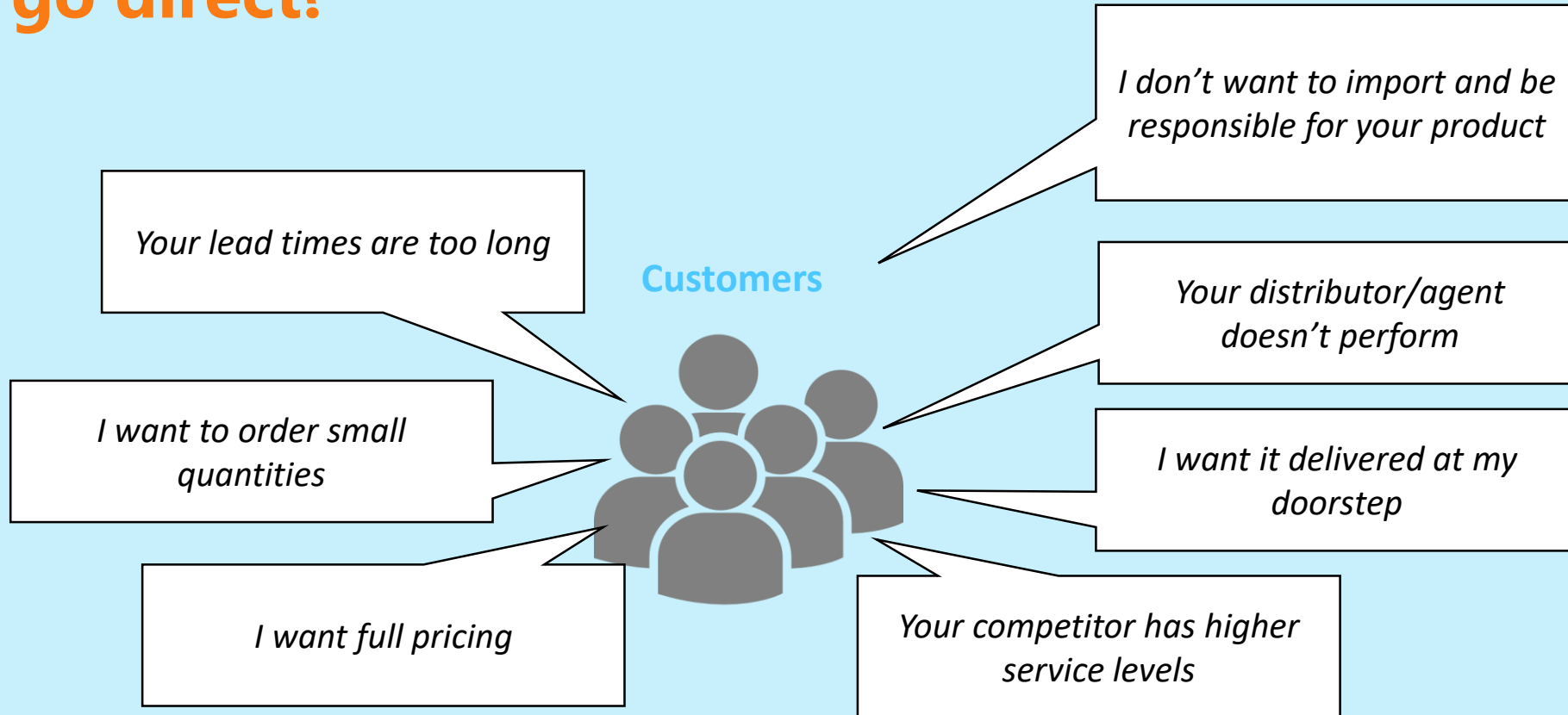
- ✓ Manages intercontinental shipping
- ✓ Pays import duties and taxes
- ✓ Acts as IOR
- ✓ Responsible for product and compliance
- ✓ Maintains relatively high inventory levels (in transit + in store)



Holland
International
Distribution
Council

Customer is leading

Why go direct?



Your own thoughts

I can sell my products online, but not fulfill/return properly

Am I getting the most out of the markets?

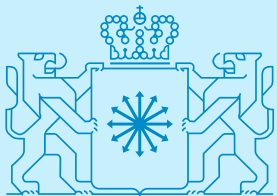
What do my customers want? I need market intelligence

My distributor is eating my margins

I need to improve my service levels

Import value based on last transaction before import?

I want to do marketing and sales myself



Holland
International
Distribution
Council

Going direct to serve your future clients

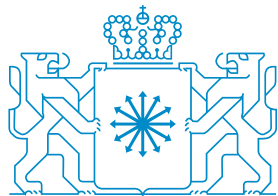
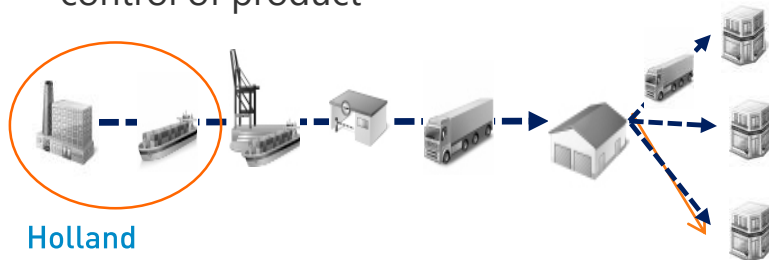


Central EDC structure



Indirect supply chain model

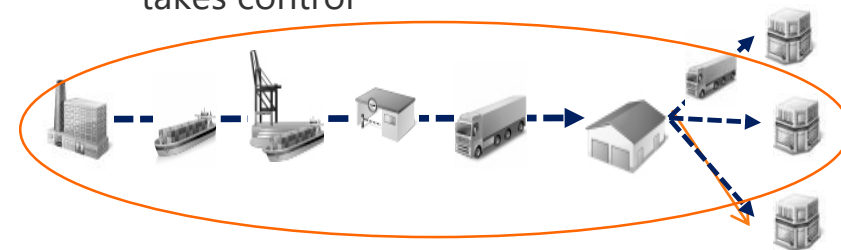
- ✓ Typical sales terms: EXW, FOB, CIF
- ✓ Customer takes care of (all) logistics
- ✓ Distributors may take margins and control of product



Holland
International
Distribution
Council

Direct supply chain model

- ✓ Typical sales terms: DAP, DDP
- ✓ Your company takes care of (all) logistics
- ✓ Manufacturer offers higher service levels and takes control



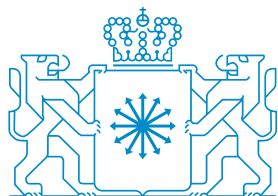
Direct model (centralized local stock) for B2B

Manufacturer:

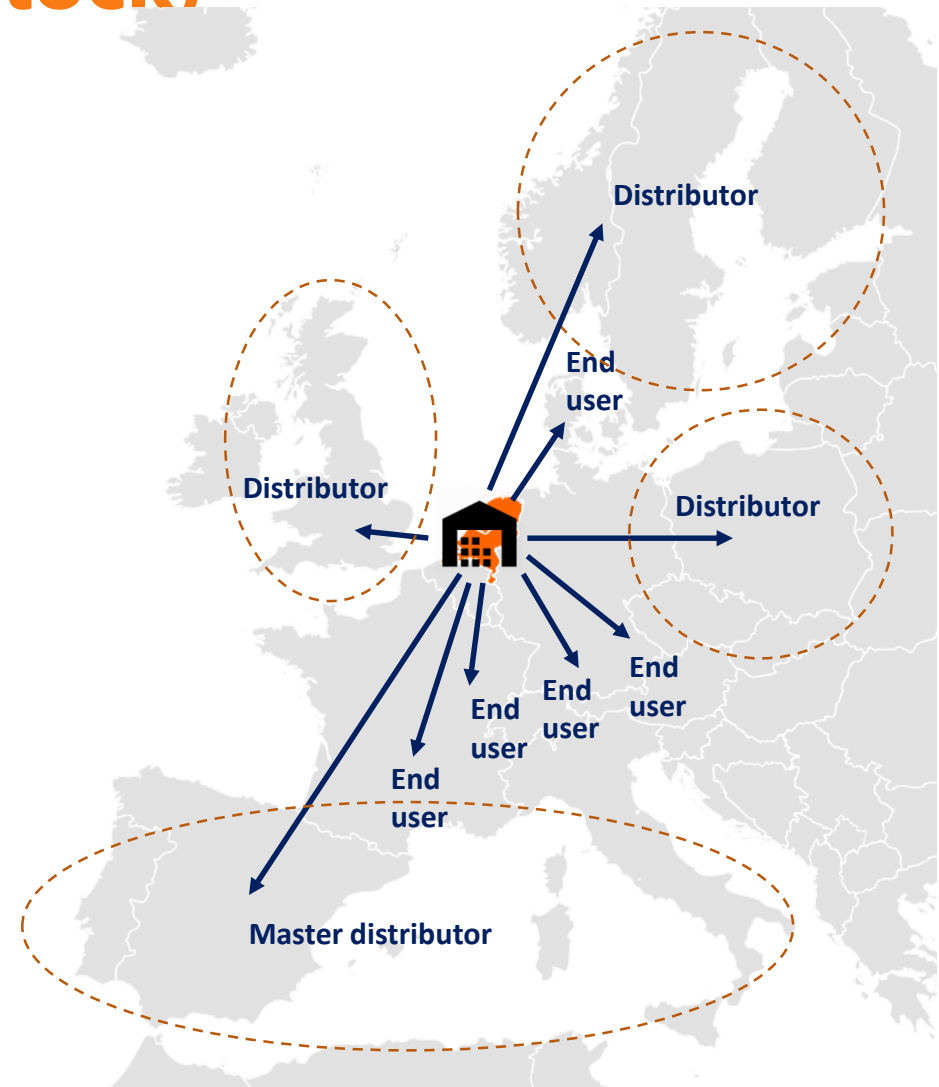
- ✓ Operate logistics model (inventory + distribution) to lower overall cost
- ✓ European presence
- ✓ Exempt of prepaying import VAT
- ✓ Postponement of duty payment (bonded warehousing)
- ✓ Shorter lead times and order-cycle times

European customer:

- ✓ One stop shop principle
- ✓ One invoice covering products, transportation and duties & taxes
- ✓ No need to act as IOR (no customs interference)
- ✓ Reduced inventory levels: orders more frequently; less quantity per order

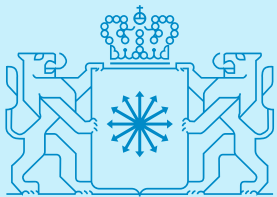


Holland
International
Distribution
Council

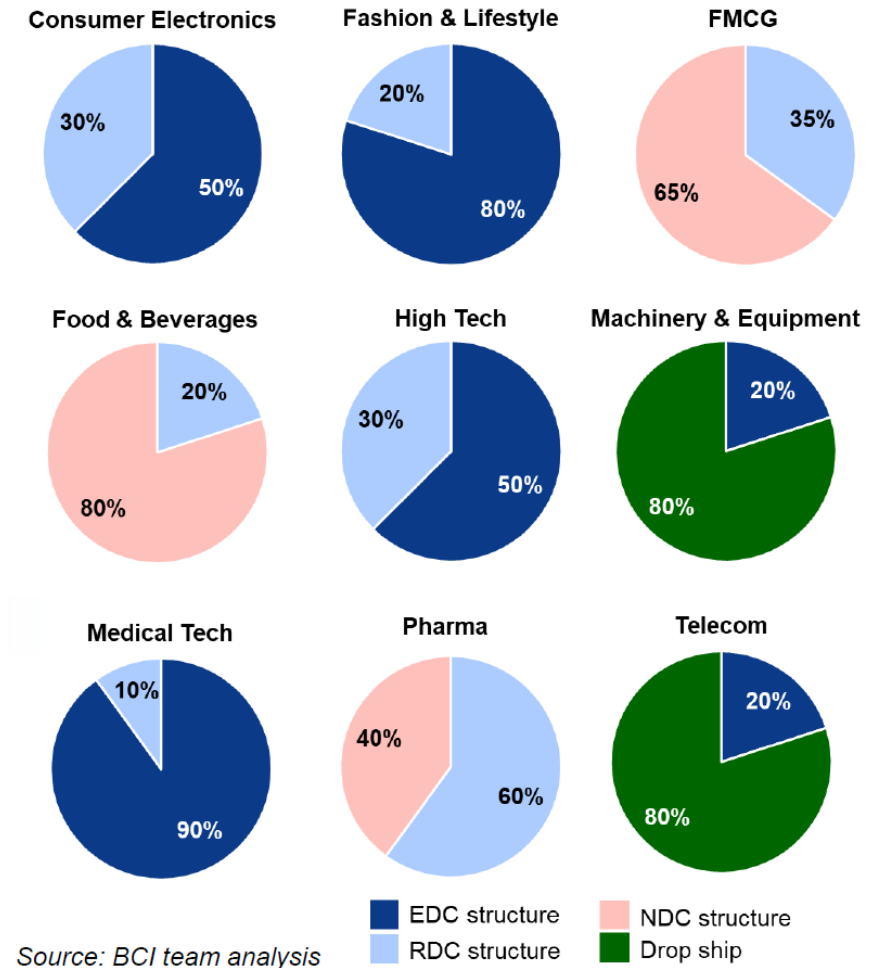


Supply chain model depends on industry

- In most industries, a central European Distribution Center (EDC) is the prevailing supply chain model
- This is due to the limited size of the continent and the benefits of having all stock in one place



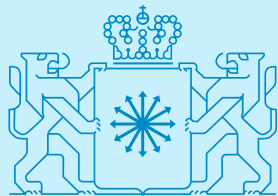
Holland
International
Distribution
Council



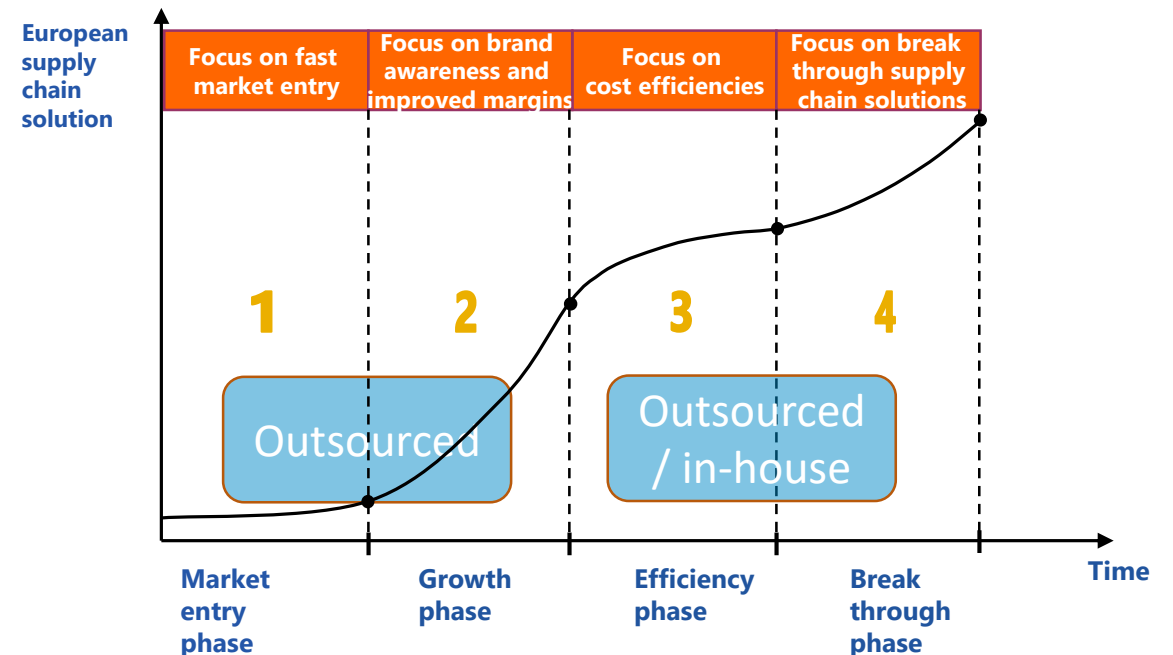
The European supply chain solution life cycle

A European supply chain set-up often depends on the maturity of a company on the continent

- New companies test the waters and limit investment,
- Growth and efficiency will ask for further integration into the European value chain
- Largest companies in Europe have state-of-the-art supply chain solutions that give local feel and service supported by a pan-European logistics set-up



Holland
International
Distribution
Council

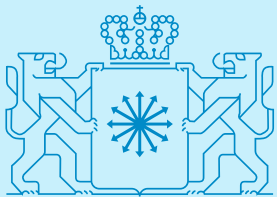


Value added logistics/services

The European logistics industry offers the full range of value added logistics/ services

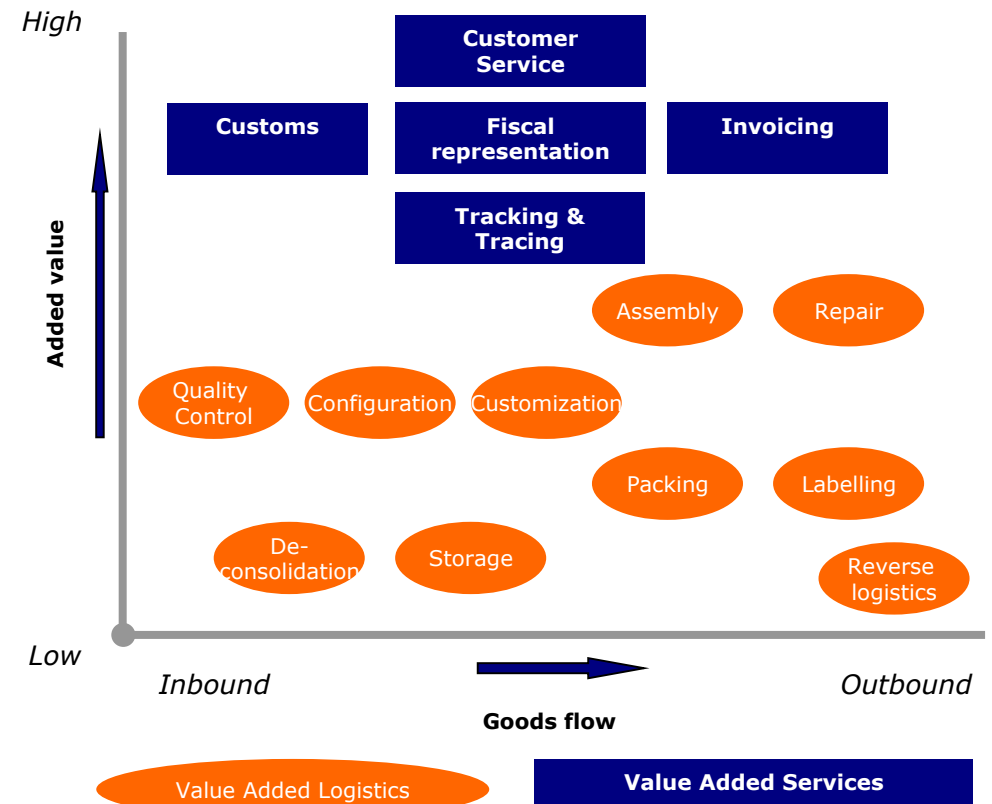
It allows focus on core competencies, such as design, manufacturing and/or sales & marketing

In most industries, customer-order-decoupling points are moving closer to the customer, why not at the European 3PL?

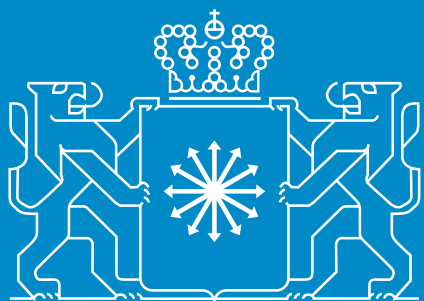


Holland
International
Distribution
Council

Value added logistics and services offered by the European logistics industry (sample)



E-commerce in Europe



Holland
International
Distribution
Council

INVEST IN
Holland



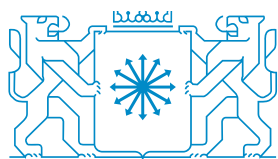
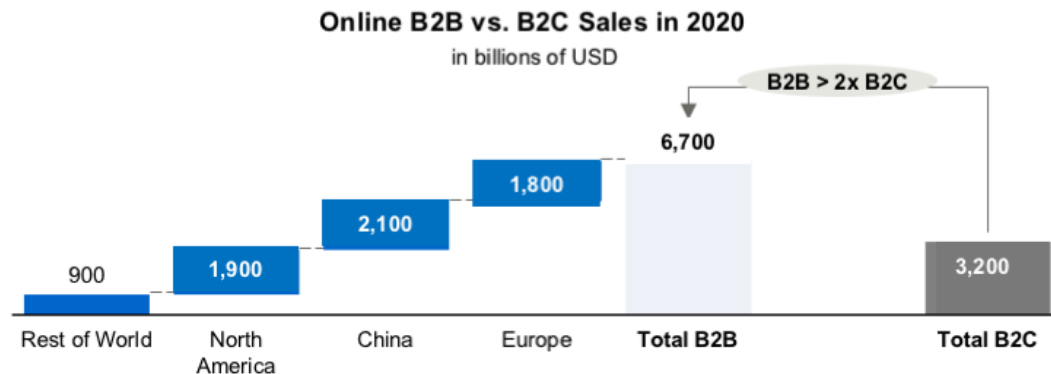
Selling online B2B in Europe

European B2B buyers:

- 80% of European B2B buyers do their research online
- 76% of all B2B buyers express a strong desire for “content that speaks directly to their company”
- 75% of buyers prefer to read product information in their own language, and **60% rarely or never buy from English-only websites**

European manufacturers:

- 77% have some type of online selling platform
- 70% have been selling online since for 1-2 years
- For 65% of European manufacturers, the top priority for B2B ecommerce is generating more sales;
- 65% view selling on marketplaces such as Amazon Business or Alibaba as an opportunity;
- 40% have an ecommerce staff of 10 or more workers.



Holland
International
Distribution
Council

Source: Digitalcommerce360 2019

Selling online B2B in Europe

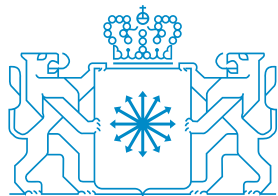
Opportunities:

- Direct sales: higher margin and more market information
- Market access across EU without heavy investments
- Give local feel while operating from Canada

Fulfilment from Canada in many cases is a workable (initial) solution

Challenges:

- Online marketing strategy. Which products on which platform / own webshop?
- Localization for a wide variety of markets
- 82% of B2B buyers want their business purchasing experiences to be similar to their personal shopping
- Maintain local feel in fulfilment and after sales
- This means high service, short lead times and order flexibility



Holland
International
Distribution
Council

Source: Fostec & Company 2019

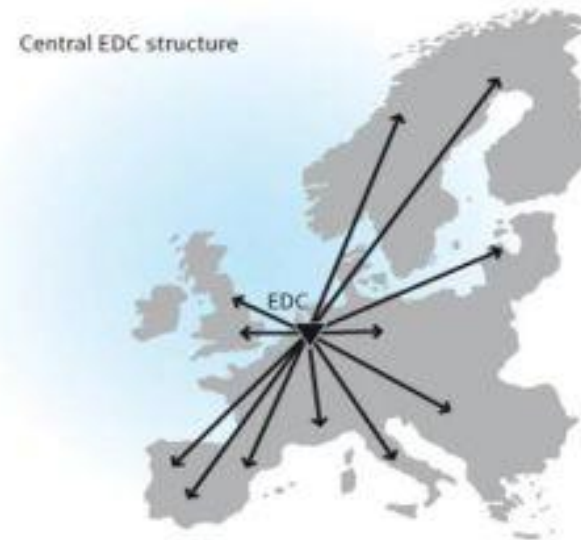
B2C: Two main e-commerce supply chain models

E-fulfilment from outside EU

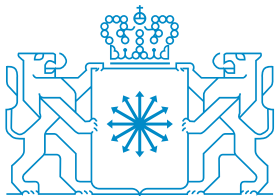


International stock

European E-fulfilment



1 European stock location



Holland
International
Distribution
Council

E-fulfilment from outside EU

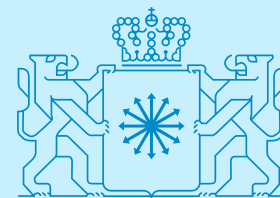
Advantages

- Minimal setup required
- No/minimal integration with outside partners to launch
- Scalable quickly



Challenges

- Poor customer experience
- Long delivery times
- High shipping rates
- Complexity, different in carrier rates and delivery times
- Incorrect customs declarations cause unexpected delay and costs
- Expensive international returns service

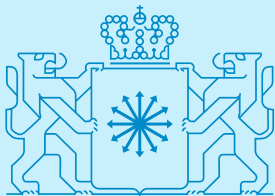


Holland
International
Distribution
Council

E-fulfilment from outside EU

For whom?

- Fulfilment from overseas stock can work for unique products, and cheap products (< 22 Euro)
- Non time critical
- DDU shipping: no go!
- Important to give transparency on total costs during check out (or before)
- Good solutions available in the market



Holland
International
Distribution
Council

WAREHOUSE
skateboards

Shopping Cart | Address | Order Review | Payment

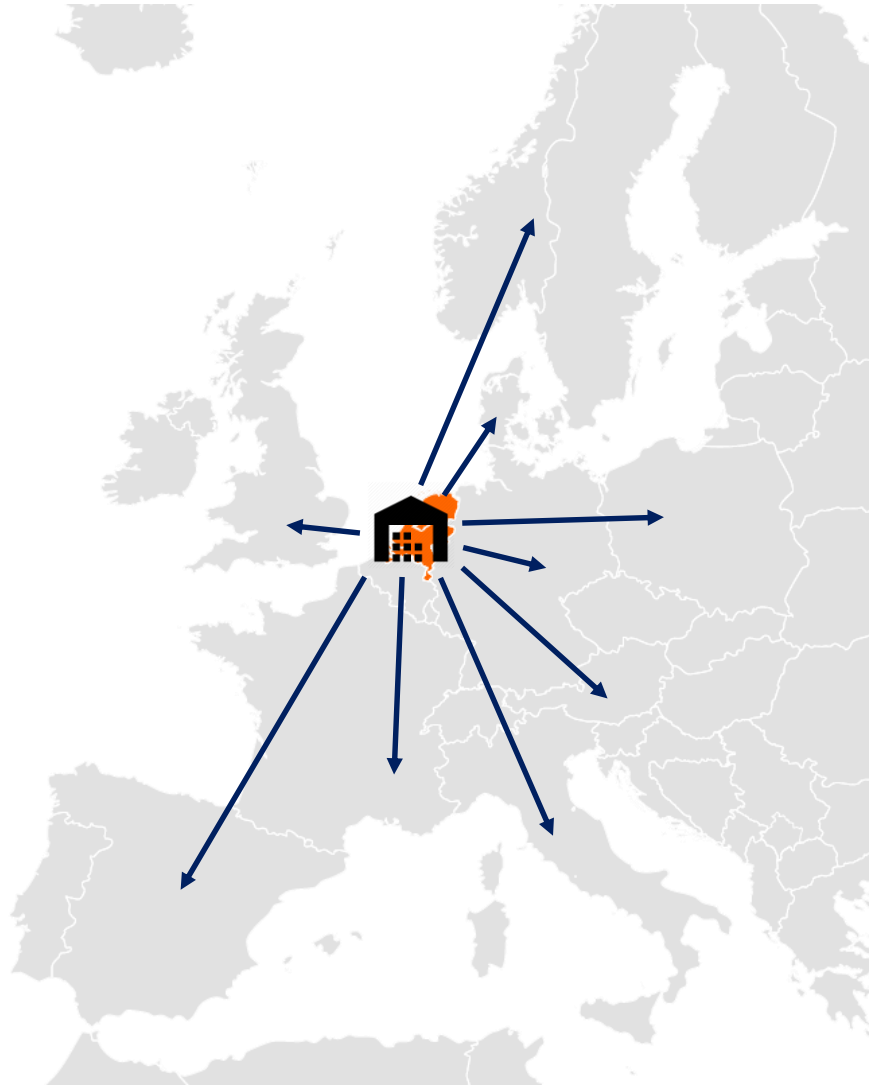
Name	Price	Quantity
Globe Prowler Evo Matte Emerald Longboard Complete Skateboard - 9" x 38"	EUR 158.45	1

Enter Promotional Code **APPLY**

Shipping	Cart
<input checked="" type="radio"/> UPS i-Parcel Select (EUR 69.14)	Subtotal: EUR 158.45
	Tax: EUR 43.29
	Duty: EUR 5.99
	Shipping & Handling: EUR 69.14
	Total: EUR 276.87

[Continue Shopping](#) [Update and Quote](#) [Checkout](#)

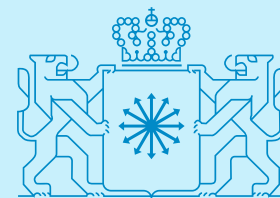
Warehouse Skateboards has partnered with UPS i-parcel to handle their international payment collection and shipping



European E-fulfilment

Two popular models

- Fulfilment by Amazon (FBA)
- E-fulfilment partner



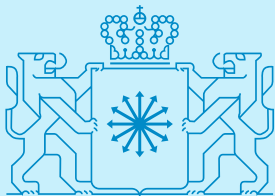
Holland
International
Distribution
Council

Fulfilment by Amazon

- FBA is designed more for individuals or small businesses than for large brands

Advantages

- Potentially unlimited storage space
- Discounted shipping rates
- Effortless logistics and quick shipping & delivery.
- Customer service management
- Management of returns taken care of
- Fulfillment of orders from other channels



Holland
International
Distribution
Council

Challenges

- High costs for longer storage
- Too easy returns?
- Less control
- Amazon has your data and can use it
- Tricky inventory management
- No leverage
- You still need to get the product there



E-fulfilment partner

Characteristics

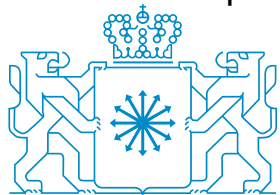
- E-fulfilment is the process of storing, picking, packing and shipping your products to consumers

For whom?

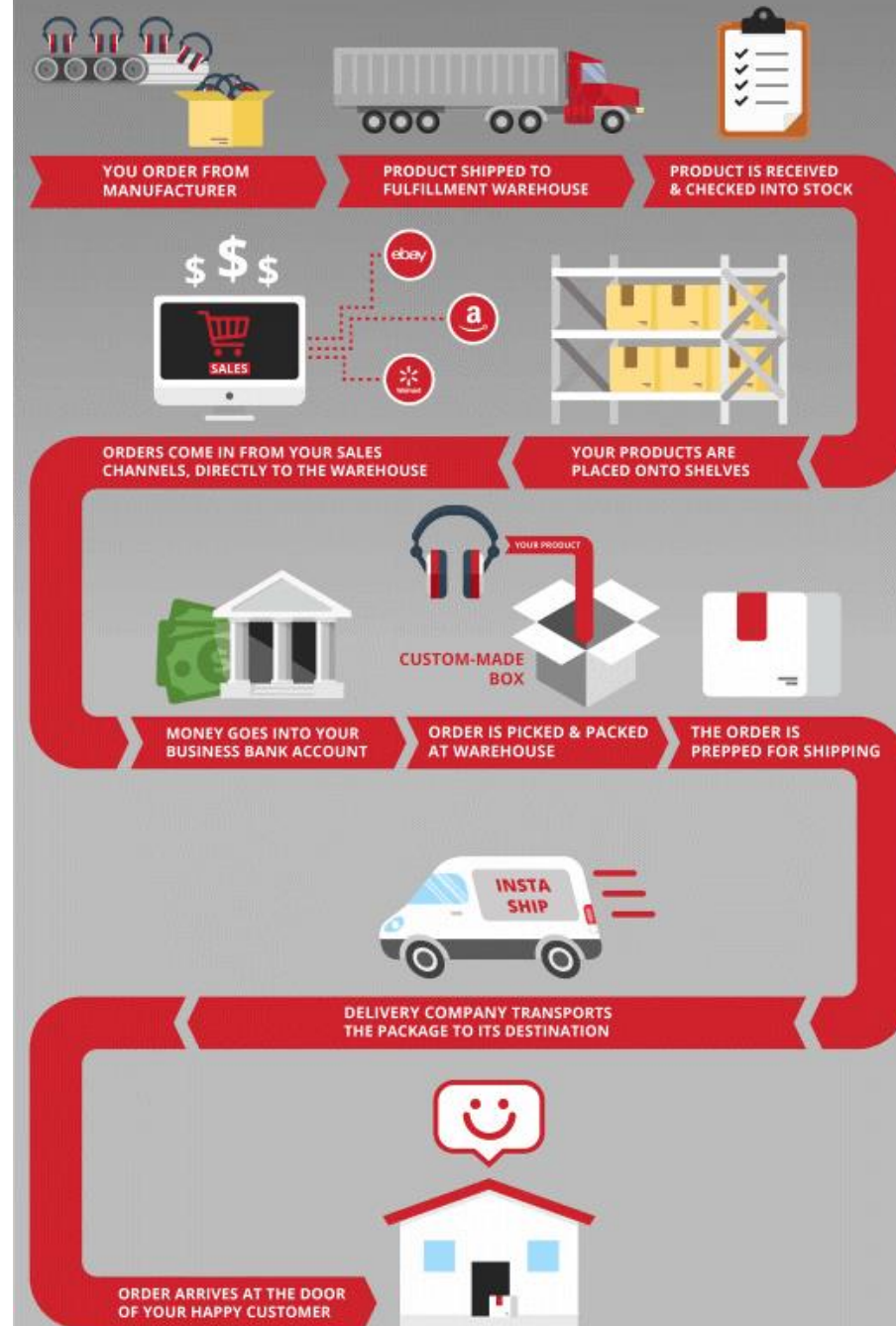
- Any online seller that aims to grow their online business
- Online seller with small or erratic volumes
- Brands that want to sell direct to consumers and B2B

Important factors

- E-commerce store and fulfilment center integration
- Receiving and inventory management
- Order fulfilment
- Returns processing



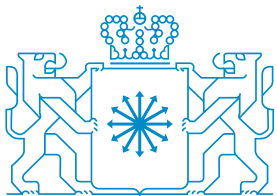
Holland
International
Distribution
Council



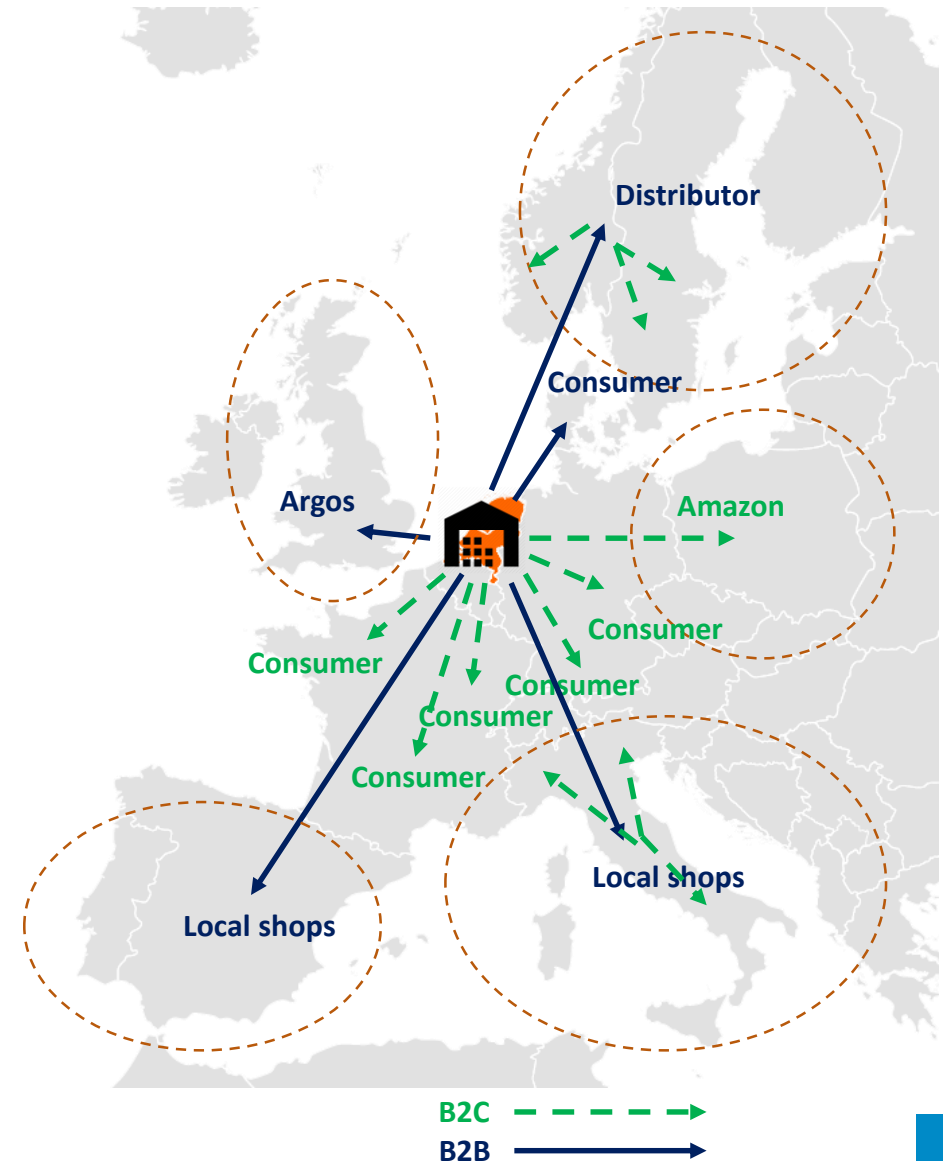
European E-fulfilment B2B & B2C example

Advantages to brands:

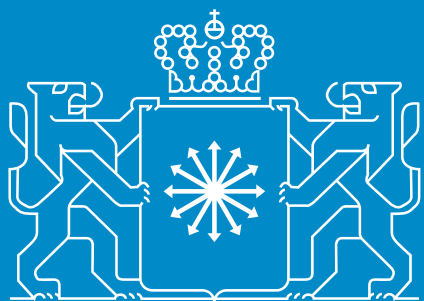
- Mimic European presence. Feels like a localized shopping / shipping experience
- Supply to B2B and B2C channels, more opportunities!
- Smaller order size and higher frequency for B2B
- Free shipping for B2C
- Shorter lead times: 1-2 days for most of Western Europe
- Affordable returns
- Consolidated inbound and cheap last mile: lower total logistics costs
- Exempt of prepaying import VAT, positive cash flow by collecting VAT



Holland
International
Distribution
Council



Customs and VAT



Holland
International
Distribution
Council

INVEST IN
Holland



Duties and Value Added Tax (VAT)

Duties and Taxes to be paid at moment of clearance

- **Duties** are % of declared product value
 - *Same Tariff Code in all EU member states*
 - *No duty for < 150 Euro*
 - *Can't be reclaimed*
- **VAT** is % of declared product value
 - *Differs from country to country (avg 20%)*
 - *No VAT < 22 euro*
 - *Import VAT*
 - *Charge VAT to consumers*



<https://www.youtube.com/watch?v=VXzVhyicPA8>



Holland
International
Distribution
Council

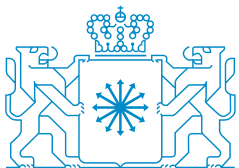


VAT - Fiscal representation

The Netherlands has made VAT compliance easy

- Article 23 VAT deferment license: **no pre-payment of import VAT!**
- Work with a logistics service provider that is also a **limited fiscal representative** (one-stop-shop)
- Work with a specialized company (or LSP) that can operate as your **general fiscal representative** (maximum flexibility)
- Set up your own company / branch and do it yourself

You don't necessarily need a company or branch in the EU to establish a local fulfilment center and comply with VAT regulations



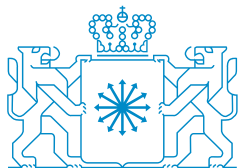
Holland
International
Distribution
Council



Changes in the VAT system coming up!

Goals:

- boost cross-border online trade and promote trade across the EU's digital single market by reducing compliance obligations
 - Reduce 5bn Euro annual fraud
1. A single EU VAT return for ecommerce distance selling → no longer need to register for VAT and file VAT returns in multiple countries
 2. Closing the import VAT exemption loophole → no VAT exemption on <22 Euro ex- EU imports
 3. Marketplaces become the deemed seller and VAT collector → less VAT obligations for seller on platform



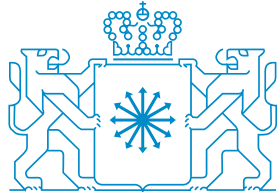
Holland
International
Distribution
Council



HAS BEEN POSTPONED TO *AT LEAST H2 2021*

Bonded warehousing – when?

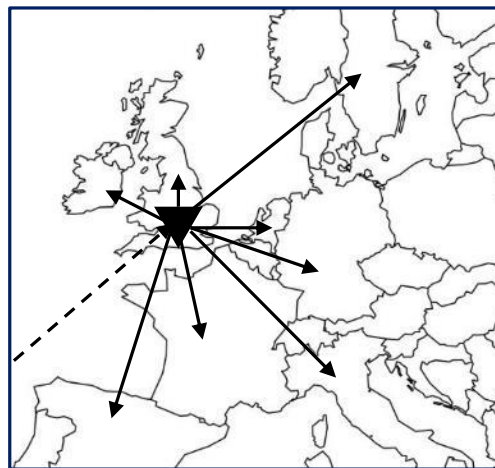
- When importing from other country than Canada, with tariffs
- Avoidance of double duty payment and postponement of duty payment
- Possibility of storage for an unlimited period of time
- Less customs interference
- Value added logistics in a customs-bonded warehouse and bonded transport (T1)
- Many third party logistics companies offer bonded warehousing
- Not limited to certain regions / free trade zones in the Netherlands



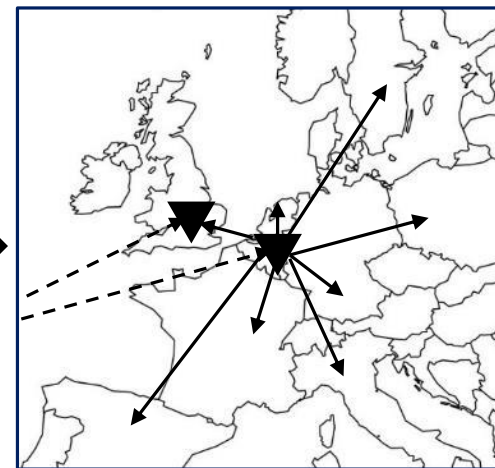
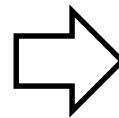
Holland
International
Distribution
Council

Brexit: one thing is certain – impact will be significant

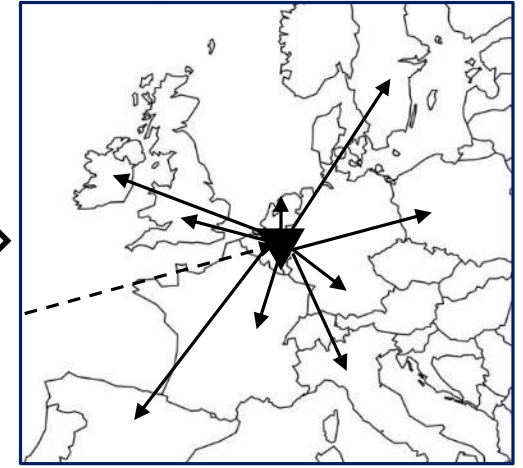
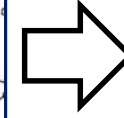
- Border checks per 1-1-2021
- Every container, pallet or parcel is an import / export, with all administration and costs associated
- Increasing risk of WTO scenario: tariffs!!
- Less European distribution from U.K.
- U.K. served from mainland or national DC



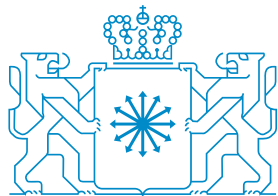
Pre-Brexit



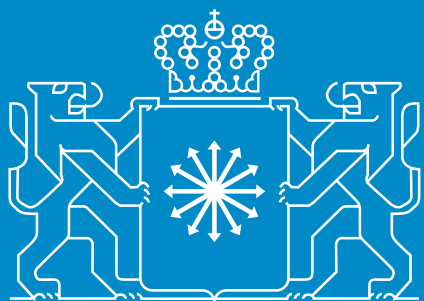
**Post-Brexit
short term**



**Post-Brexit
long term?**



How did others do it?



Holland
International
Distribution
Council

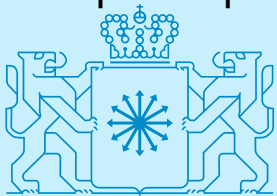
INVEST IN
Holland



Two recent examples

Canada

- Canadian engineering and manufacturing company, producing CO2 extraction systems, to extract plant oils
- Involves large machinery (volume) and spare parts (speed)
- Are working with a freight forwarder for direct delivery Canada-EU clients via Port of Rotterdam
- They have Schiphol based warehouse for spare part operation



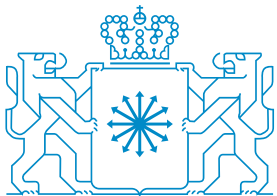
Holland
International
Distribution
Council

- Large Canadian player in maple products, looking to build brand and sell B2B in Europe
- Own store in Germany and online presence
- Needed 3PL with SKAL certificate and ability to fulfill to platforms, stores and B2C



Streamlight

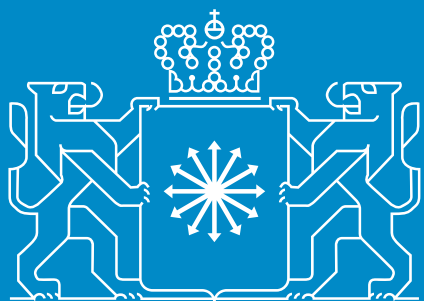
- Market leader in illumination tools from PA
- Streamlight serviced distributors, from their own warehouse in Eagleville in the US
- Goal: offer shorter lead times, higher frequency of smaller orders and overall reduced transport costs
- Best option was to find a full-service 3PL that would act as Streamlight's European warehousing and distribution center partner
- Result: lead time has been cut from 14-18 days to 24-48 hours. Also, minimum order value is significantly lower and there is no hassle with VAT and duties



Holland
International
Distribution
Council



Why the Netherlands?



Holland
International
Distribution
Council

INVEST IN
Holland



Why the Netherlands?



Efficient logistics services empowered by
innovation and collaboration



#1 Entry point
in Europe for overseas products



Strong logistics sector
#1 logistics hub in Europe



Competitive cost
for labour, real estate and transport



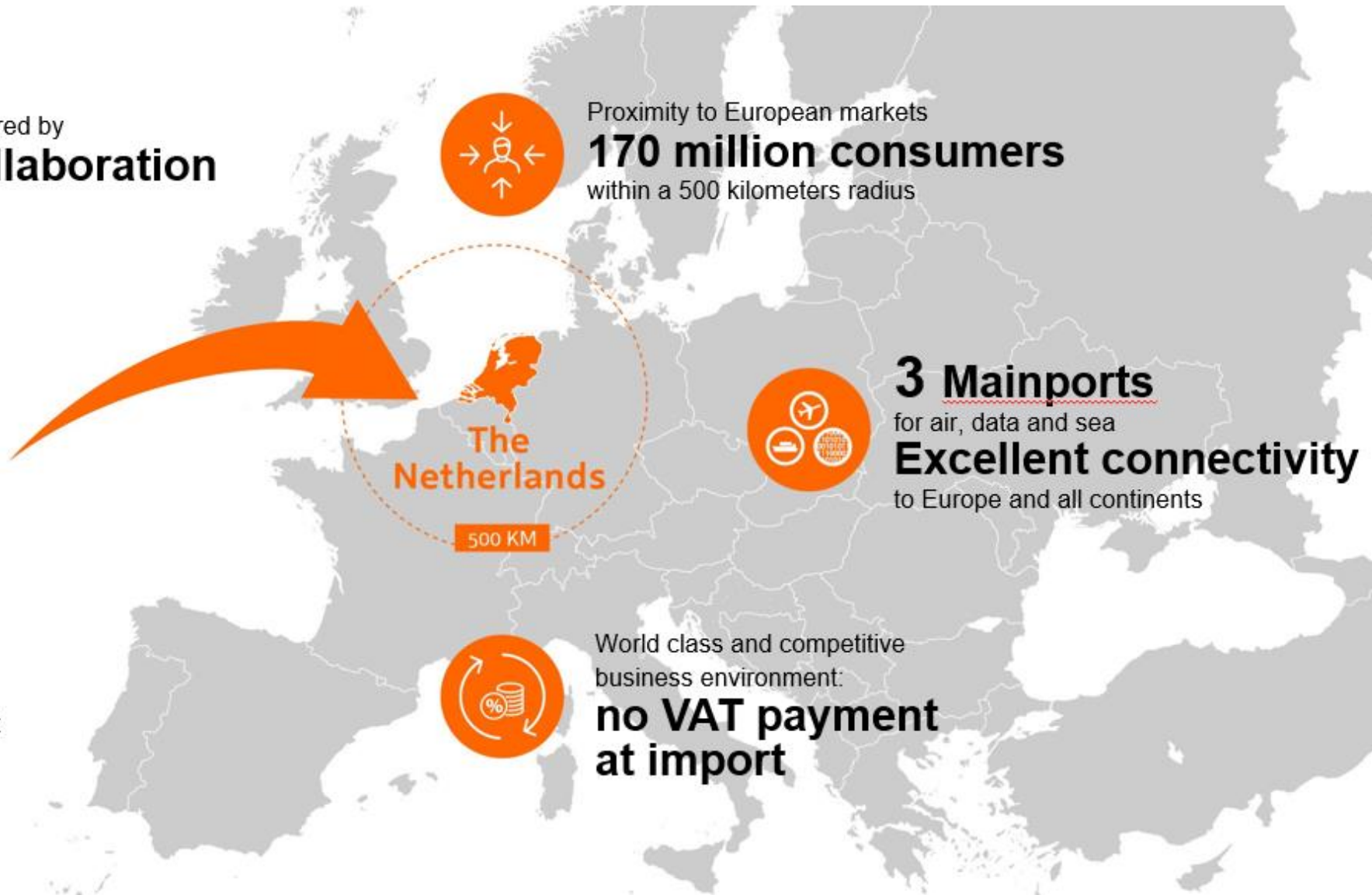
Proximity to European markets
170 million consumers
within a 500 kilometers radius



3 Mainports
for air, data and sea
Excellent connectivity
to Europe and all continents



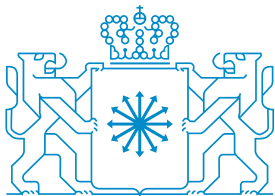
World class and competitive
business environment:
**no VAT payment
at import**



Number 1 logistics hub in Europe

no. **1**

- as most connected country (DHL Global Connectedness Index, 2019)
- on efficiency of seaport services in EU (WEF, Global Competitiveness Report, 2019)
- on liner shipping connectivity in EU (WEF, Global Competitiveness Report, 2019)
- on efficiency of air transport services in EU (WEF, Global Competitiveness Report, 2019)
- on efficiency of train services in EU (WEF, Global Competitiveness Report, 2019)
- on quality of roads in EU (WEF, Global Competitiveness Report, 2019)
- on quality of air transportation (IMD World Competitiveness Online, 2019)

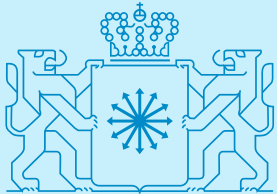


Holland
International
Distribution
Council

Our services

- Advisory role on European supply chain (logistical design, financial structure)
- Matchmaking services for logistics, tax and compliance (70 fulfilment specialists)
- 'Fact Finding Trip' in the Netherlands
- Assistance in every step – now and in the future
- In close cooperation with Trade Commissioner Service, Canadian provinces, Netherlands Foreign Investment Agency (NFIA)

Services confidential and free of charge



Holland
International
Distribution
Council



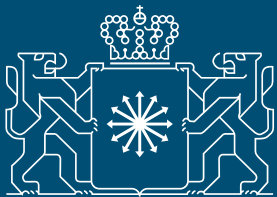
For more information



Stan de Caluwe
Senior Manager Supply Chain Solutions

✉ s.decaluwe@hidc.nl

☎ +31 6 30369713



Holland
International
Distribution
Council

Holland International Distribution Council | The Netherlands |
www.hidc.nl | info@hidc.nl