

# The Fulfilment Sector in Jersey 2 March 06



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## Fulfilment

- "the processing, packing, and delivery of a customer's order received via the internet or in response to a catalogue or press advertisement"
- a vital and key component in the success of mail-order businesses and online retailers.
- "59% of home-shoppers say efficient, and timely delivery is the reason they shop at home" (Verdict Research Group)



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## The sector

- mail-order fulfilment started in Jersey in 1980
- impetus given in 1983 with EEC Reg 918
- mid-90's extended to new product categories
- from 1998 internet boom accelerates demand
- volumes have increased at an average of 60% p.a. between 2002 and 2005 (traditional mail decreasing by 5% p.a.)
- from 5 to 25 containers per day north bound



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## Why Jersey ?

- many jurisdictions have opportunity to mail EU residents tax-free
- Jersey is fulfilment leader, enjoying fastest growth, Jersey Post pro-active in service quality
- no VAT, competitive postage
- entrepreneurs / first movers in 3 sectors
- third-party collaboration and flexibility (JPL, Condor, Jersey Customs, HMCE, Royal Mail)



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## Current position of fulfilment sector:

- **Estimate for 2005**
  - major contributor to JPO profits (helps funding for Universal Service Obligations)
  - 71 trading companies, 7 fulfilment service providers (3PS)
  - 30 trading companies, handled by 3PS
  - over 1000 employed (Dec '05)
  - tax revenue – several £million?
  - multiplier effect for other professional services, transportation, harbour dues, warehousing, IT, finance, legal, transportation (e.g. JPO is Condor's biggest customer)



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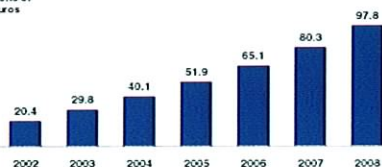
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## European e-commerce revenue forecast

Billions of Euros



INCLUDE THE ACTIVE MANAGEMENT

AND RESEARCH

BASED ON JPL'S FORECAST FOR THE EUROPEAN MARKET



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- ### Role of Jersey Post Logistics (1)
- formed in 2003
  - separate location at the Harbour
  - dedicated specialist staff
  - focuses on bulk mail / surface mail
  - advises on addressing standards, presentation and sortation of mail
  - co-ordinates collection and consolidation of mail
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- ### Role of Jersey Post Logistics (2)
- develops efficiencies and economies of scale
  - workshare discounts available
  - develops logistics routes and partners
  - conveys to distribution partners in UK and European mainland (EU + non-EU)
  - manages the last mile and returns procedures, postal heritage a distinct advantage
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### Work with HM Revenue and Customs

- Memorandum of Understanding with HMRC ensures compliance and transparency
- Role of Customs compliance officer
- conducts customs and product compliance
- manages customs clearance, tax collection
- key advantage of VAT pre-payment scheme
- Pre-paid VAT of £8.8m to HMRC in 2005



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### Within JPL - Offshore Solutions

- decision taken in Dec '02 and formed in 2003
- third-party fulfilment services provider
- originally formed as 'incubator' (perception that Jersey difficult to do business)
- OSL offered professional service checklist, compliance checklist, warehouse management services
- located at Elizabeth Harbour, and since April 2005 at former Jacksons site
- employees 100% locally qualified



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### Recent Developments

- May 2004, Jersey Post Logistics wins World Mail Award for Enterprise
- August 2004 Tesco and Amazon visit UK Customs and Excise
- November/December '04 migration of UK Retailers to Jersey
- January 05 onwards, lobbying by FBP gathers momentum
- July '05 EDC issues Fulfilment Policy
- Regulation of Undertaking letter to UK business



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