

Business Case: Cross-Border Duty Optimization & Tariff Restructuring

- **Lead Principals:** Ricardo Osuna / Francisco García
- **Industry Sector:** Consumer Goods (CPG) & Retail Distribution
- **Focus Area:** Customs Operations, Tariff Classification (HTSC), Duty Deferral, & Supply Chain Security
- **Engagement Model:** 30-Day Rapid Trade Diagnostic followed by a 12-Week Implementation Phase

PAR Breakdown (Problem, Action, Result)

PROBLEM

A high-volume CPG and retail distribution enterprise operating across North American trade corridors faced severe margin erosion and growing regulatory exposure across 7 major ports of entry.

- **High Landed Costs:** The company was incurring over **\$8.4M USD annually in import duties and customs fees** due to misaligned Harmonized Tariff Schedule Code (HTSC) classifications and underutilized trade preference programs across its retail catalog.
- **Border Bottlenecks & SLA Delays:** Inconsistent cross-border documentation and non-standardized 3PL/customs broker workflows caused border hold times averaging **36 to 48 hours**, severely impacting retail store replenishment schedules and store delivery SLAs (86% on-time rate).
- **Audit & Security Exposure:** The firm lacked formal CTPAT/OEA supply chain security certifications and standardized tariff controls, exposing high-volume retail shipments to recurring inspections and audits from US Customs (CBP) and Mexican Tax Administration Service (SAT).

ACTION

Ricardo Osuna and Francisco García spearheaded a complete cross-border supply chain transformation targeting customs compliance, tariff engineering, and cross-dock fulfillment speed.

- **Phase 1: 30-Day Rapid Trade Diagnostic & HTSC Audit**
 - Conducted a line-item HTSC classification audit across the entire high-volume SKU catalog to identify eligible duty deferral and tariff minimization opportunities.
 - Evaluated customs broker performance, cross-border manifest accuracy, and port clearance workflows across all major land, sea, and air gateways.
- **Phase 2: Duty Minimization & CPG Logistics Restructuring**
 - **Tariff & Duty Re-Engineering:** Restructured product imports under optimized tariff classifications and fully leveraged preferential trade agreements (USMCA) and duty drawback programs, drastically lowering per-unit landed costs.
 - **CTPAT Security Alignment:** Formulated standardized operating procedures (SOPs) across cross-dock operations, transportation fleets, and facility security to align with US

Customs CTPAT criteria.

- **Customs Brokerage & Pre-Clearance Integration:** Integrated automated pre-manifest verification protocols and established strict performance KPIs for customs brokers, ensuring documentation errors were corrected prior to trailer arrival at the border.
- **Cross-Dock & Inventory Streamlining:** Re-engineered 165,000+ sq. ft. of cross-dock distribution capacity and implemented consignment inventory and safety stock models to support continuous JIT store replenishment.

RESULT

- **Direct Bottom-Line Savings:** Reduced annual customs duties and import expenses from **\$8.4M USD down to \$1.4M USD**—delivering **\$7.0M USD in annual recurring cost savings**.
- **Fulfillment & Clearance Velocity:** Reduced average border clearance times from **38 hours to under 6 hours**, boosting On-Time Delivery performance to retail networks from **86% to 98%**.
- **Scalable Retail Expansion:** Supported rapid enterprise growth from 2 to over 350 retail locations while scaling revenue to \$600M USD.
- **Audit & Security Compliance:** Prepared the organization for full CTPAT supply chain security certification, mitigating cross-border audit risks and securing expedited clearance privileges at land border ports.
- **Inventory Accuracy:** Achieved **100% inventory record accuracy** across cross-dock facilities and significantly optimized working capital.

Key Financial & Operational Metrics Summary

Metric	Pre-Engagement Baseline	Post-Implementation	Variance / Impact
Annual Duty & Customs Spend	\$8.4M USD	\$1.4M USD	-\$7.0M USD (-83%)
Average Border Clearance Time	38 Hours	< 6 Hours	-32 Hours (-84%)
On-Time Delivery SLA (OTIF)	86%	98%	+12% Improvement
Inventory Record Accuracy (IRA)	92%	100%	+8% Accuracy
Store Footprint	2 Stores	350+ Stores	175x Scale

Supported			Expansion
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