

## PILOT STUDY REVIEW

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# IMPROVING THE CUT FLOWER IMPORTING PROCESS

The use of global classification codes can automate sample planning and the capture of import statistics, reducing the average time required to inspect incoming cut flower shipments by 50%. An ROI of \$7 for every \$1 invested can be realized.

## BACKGROUND

GS1 supports the idea that **e-commerce information can improve product visibility across borders, improve consumer security, and deliver significant cost savings to industry, government, national regulators, and customers alike.** To examine this idea, the U.S. International Trade Data System (ITDS) Product Information Committee (PIC)<sup>1</sup> conducted a series of pilot studies from July 2010 to September 2011,<sup>2</sup> examining diverse product sets including toys and games, cut flowers, and meat and poultry.

The cut flower pilot examined the use of United Nations Global Product Classification codes in flower importing. The cut flower product set consisted of products imported for distribution to wholesalers, florists, mass markets, and retail grocery stores in the U.S. In 2010, 127,042 entries of cut flowers, composed of over eight billion stems and valued at over \$1.3 billion, were imported into the U.S.

Customs and Border Protection (CBP) and Animal and Plant Health Inspection Service (APHIS) are jointly responsible for ensuring cut floral products are admissible and do not include any live pests that threaten the economic welfare of the U.S. Harmonized Tariff Schedule (HTS) codes group many flower species together under a single code, and in 2010, there were no other global classification codes that identified each cut flower species. For this reason, sampling reports have to be manually prepared and on average it takes two hours to prepare reports and examine the paperwork for each shipment. While all agricultural products are typically inspected for live pests, the manual sample plan preparation and statistics computation slows the release process.

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<sup>1</sup> PIC, or Product Information Committee, was created by the International Trade Data System to explore ways to utilize additional information to improve the efficiency and effectiveness of product admissions at international borders.

<sup>2</sup> "The Business Case for Using e-Commerce Data to Manage Product Admissions at International Borders," ITDS Product Information Committee, December 2011.

## PILOT STUDY

The cut flower pilot examined two central questions: **Can global classification codes automate sample planning? Can global classification codes automate the capture of cut flower import statistics?**

To replace the paper system, the pilot team created a trial spreadsheet that would allow for the addition of global classification codes and Global Trade Item Numbers (GTINs)<sup>3</sup>. If a spreadsheet could be developed to automate the generation of the sampling plan and import statistics, the team could confirm that the added e-commerce data would allow these reports to be routinely computer-generated. No global floral product classification codes existed in advance of the pilot, so the team worked with the United Nations Standard Product and Service Codes (UNSPSC) to establish global floral codes.

Working together with the Association of Floral Importers of Florida, a complex shipment of flowers imported into the U.S. on a commercial flight was studied. The shipment included 169 invoice lines and 626,178 stems. Data was exported from the importer’s data entry process and loaded into the pilot team’s spreadsheet. The automated spreadsheet reports (tariff assessment, sampling breakdown, and import statistics) were then compared to the corresponding manually prepared reports.

## PILOT FINDINGS

The pilot found that the automated spreadsheet reports exactly matched the results of the manually prepared reports, demonstrating that the flower import process can be automated through the use of global classification codes. The record set used to transmit e-commerce product information can accommodate multiple views of imported floral products including tariff assessment by stem type, import volumes by product type, and sampling plan by product type and country of origin.

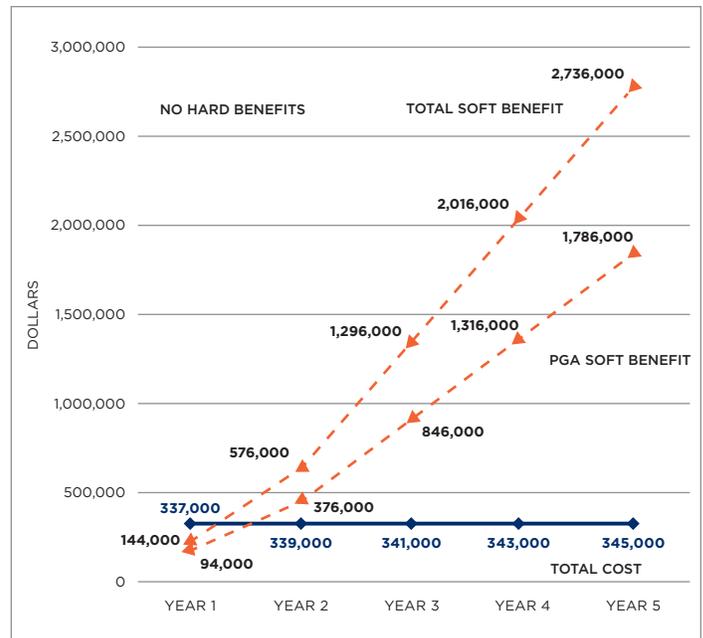
Greatly enhanced visibility and efficiencies were realized, as well as a significant return on investment.

The average time to inspect cut flower product paperwork can be reduced by 50%, reducing a typical two-hour examination to one hour. This time reduction guarantees a faster release of products into the supply chain—critical to this highly perishable product set.

The pilot also found cost benefits. Import volume statistics can be computer-generated and quickly transmitted to APHIS at lower cost and greater accuracy. Cost avoidance can be realized, as well as intangible benefits including increased trade efficiency and possible reduction in overtime inspection fee charges to importers.

### COST BENEFIT ANALYSIS FOR CUT FLOWER PILOT

**Return on Investment of 557%**



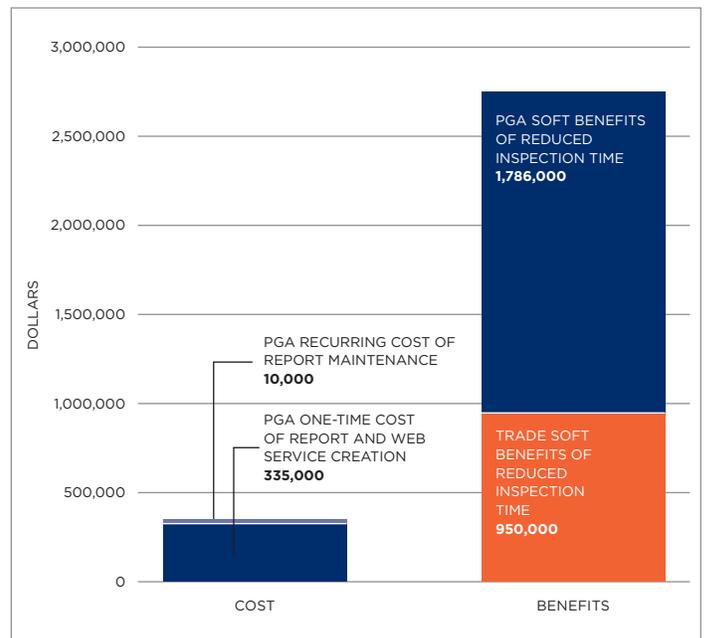
**CUMULATIVE COST AND BENEFIT FOR CUT FLOWER PRODUCTS FOR PARTICIPATING GOVERNMENT AGENCIES (PGA) AND 50 MAJOR IMPORTERS OVER FIVE YEARS**

<sup>3</sup> A Global Trade Item Number (GTIN) is an identifier for trade items developed by GS1 to uniquely identify products in the global supply chain.

The average time to inspect cut flower product paperwork can be decreased by **50%**, reducing a typical two-hour examination to one hour.

**COST BENEFIT ANALYSIS FOR CUT FLOWER PILOT**

**Net Value of \$2.4 Million**



**COMPONENTS OF COST AND BENEFIT FOR CUT FLOWER PRODUCTS FOR PARTICIPATING GOVERNMENT AGENCIES (PGA) AND 50 MAJOR IMPORTERS OVER FIVE YEARS**

## BEYOND THE PILOT

The return on investment, as demonstrated by the pilot, has the potential to be dramatic.

The infrastructure to move more products freely across international borders, with greater visibility and efficiency, is maturing, providing a valuable opportunity for industry to adopt standards. In the fall of 2012, U.S. Customs will complete the addition of a new data record set, allowing importers to electronically pass product e-commerce data for each entry line to government agencies, providing a clear place for the use of global classification codes and GTINs. Other governments are adding this same capability to their infrastructures.

To make this happen, industry, government, and world customs leaders can:

- **Learn more** by reading the report, “The Business Case for Using e-Commerce Data to Manage Product Admission at International Borders,” December 2011. This report is available at [www.itds.gov](http://www.itds.gov).
- **Share these concepts** with your company’s e-business manager, Customs manager, product safety/compliance manager—and with Customs agencies at the borders where you do business.
- **Discover the potential value** for your company. Contact Douglas Bailey, Chairman of the U.S. ITDS PIC at ([douglas.bailey@ams.usda.gov](mailto:douglas.bailey@ams.usda.gov)), for additional insight into the pilot studies, or to participate in an upcoming pilot study; or Al Garton at GS1 US™ ([agarton@gs1us.org](mailto:agarton@gs1us.org)), to find out more about how GS1 Standards can improve supply chain efficiency for industry and government.

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“The pilot shows that the use of GS1 Standards delivers great benefits. Further collaboration and the use of more technology, such as barcode scanners, can help us realize even greater efficiencies in terms of cost and time.”

Christine Boldt  
Executive Vice President  
AFIF



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