

Audiovox Foreign Trade Zone Case Study



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MD Logistics provides foreign trade zone services to consumer electronics manufacturer Audiovox.

Background

Audiovox is a leading global supplier of mobile and consumer electronics products. MD Logistics has partnered with Audiovox since 2007, when a newly acquired product line prompted the company to seek third party logistics (3PL) services. MD Logistics now handles Audiovox's retail compliance and manages the company's inventory, order processing and distribution.

Challenge

A majority of Audiovox products originate overseas and therefore require numerous customs filings as well as costly annual duty and brokerage fees. When exported goods require drawbacks, the cumbersome process could take up to nine months.

MD Logistics and Audiovox realized that a Foreign Trade Zone (FTZ) would streamline the 250,000 to 300,000 cartons of Audiovox product that MD Logistics handles every month. An FTZ allows goods to be imported and warehoused duty-free until they are consumed or re-exported, and also allows for duty-free transferring to other FTZs in the United States, Canada and Mexico. By expanding its FTZ distribution network to the Midwest, Audiovox could realize a significant cost savings and increase the ease by which their goods flow to market.

Why MD Logistics is the Solution

MD Logistics embraced the chance to provide enhanced services to Audiovox and other customers and immediately reached out to the local FTZ Authority.

Becoming an FTZ grantee would be a complex process, requiring start-up and operating costs as well as regulatory and administrative requirements. MD Logistics retained a well-respected expert to ensure the project was accurately completed under a strict timeline.

MD Logistics navigated the application process to become a general-purpose zone operator. Formal applications had to be submitted in Washington, D.C., bonds needed to be put in place and site inspections by U.S. Customs and Border Patrol had to be passed.

Everything went according to plan. Upon approval, MD Logistics entered into a contract with the Indianapolis Airport Authority as an FTZ grantee.

MD Logistics also incorporated an FTZ systems integration project. The company procured the most effective FTZ-compliant software available, deployed it within the existing warehouse management systems and completed full integration into customers' software systems. This ensured that all data required for FTZ compliance was transferable and able to be reported in a timely manner to U.S. Customs and Border Patrol.

Results

MD Logistics achieved FTZ status in the first quarter of 2011. While most FTZs in central Indiana are manufacturers, MD Logistics is one of the only 3PLs in the market that offers FTZ capabilities.

“Moving forward with FTZ status is an enhancement to our service offerings, as it allows goods to flow to market faster,” says John Sell, vice president of operations at MDL.

MD Logistics wired 575,000 square feet between two facilities that house retail and pharmaceutical goods.

Benefits to the Client

A designated administrator oversees all customs reporting and ensures that FTZ customers are receiving the most cost benefits possible.

“MD Logistics demonstrated their ability to effectively maneuver through complex regulatory processes and get their FTZ facilities up and running on time and under budget,” says Joe Incalcata, vice president of operations at Audiovox.

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