

Why Do So Many Seem Averse to Employing GTM Technology Today?

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Many articles discuss the challenges of global trade management (GTM). Experts speak to the myriad concerns manufacturers confront doing business in a global marketplace, not to mention the recurring topic of the complex supply chains extending thousands of miles beyond U.S. borders.

The consensus seems to be that it is not easy to be compliant in importing and exporting activities in this post-9/11 world, yet there are serious ramifications at every stage of the supply chain for failure to adhere to complicated regulations that seem to change daily.

There is little doubt that technology has an important role to play in simplifying complexity by automating many of these tasks, and vendors stand ready to tout the advantages their applications hold over their competitors' offerings. Press releases daily extol the roll-out of the latest system innovations and features. Case studies praise the supply chain efficiencies and economies achieved through technology implementation. Feature articles highlight the successes individual firms are achieving with logistics or so-called GTM systems.

So exactly what type of technology can manage and automate global trade? Should companies opt to buy it or rent it? What advantages does being Web-based offer, if any? Is all the information available over the Web free for the taking? How many pieces of information will need to be bought, and what is the cost of integrating them all together? Such questions just scratch the surface of those that can and must be posed by would-be purchasers.

Because GTM means something different to everyone, there is no one answer to any of these questions. Each can be answered in many different ways, depending on the perspective of the person asked. If there is one truism that does exist, it is that few companies today possess a comprehensive GTM system; most own just bits and pieces of a total solution. Part of the reason can be traced to the functionality firms seek to acquire. Some companies want to focus solely on logistics; others see compliance as the overarching reason to procure a software solution. Some companies that seek to “see the overall picture” might throw a supply chain visibility application into the mix. Because most firms start with one business purpose in mind when they acquire technology—and almost always expand to another business objective later—corporations should seek to identify software solutions that offer as many integrated applications and functions as possible when researching what GTM system to procure.

Yet, amidst all the claims and vendor hype, the real issue about GTM is always lost. The simple reality is this: The international supply chains of many large companies are at best only 50 percent automated, according to Aberdeen Group. For every one firm that has implemented GTM technology solutions—partial or otherwise—there are hundreds that have not.

This rather surprising fact brings us to the real issue about GTM technology: Why do so many companies competing in today's global environment have such an aversion to investing in GTM technology?

Regardless of size, companies are sourcing, importing and exporting products. It is the

only way to stay competitive in today's marketplace, according to National Association of Manufacturers report. It warns that one in three small- to medium-sized U.S. manufacturers could go out of business entirely unless they enter the global marketplace.

Many firms, recognizing this fact, are spending thousands of dollars to amass staffs of import/export professionals and compliance experts. Others have had these resources in place for years. Regardless of where a company stands along this continuum, the question remains: What is the point of securing the best staffs available to oversee trade and compliance functions and then short-circuit their capability to attain the desired results by not giving them the technology tools they need to do their job effectively? It is just plain counterintuitive.

Consider what staff could achieve if they had a GTM system that interfaced with the company's ERP system, allowing all the required documentation for compliance and product movement from sales orders or purchase orders to commercial invoices to transportation back to the distribution center to be automatically generated and populated from systems data. Imagine the staff hours that could be saved! Consider the time spent manually researching the individual compliance regulations and the documents required by countries; ascertaining product classifications; determining licensing requirements; updating denied-parties lists and scanning against them; and much more. Contemplate the power of a system automatically reconciling purchase orders and commercial invoices and adjusting trade documentation automatically. Finally, envision a world where the thousands of business orders your company transacts are managed automatically and only require human intervention when an exception falls outside the systems logic. This is what technology brings to the table. The decision to invest in GTM technology approaches a "no-brainer." Just ask firms with GTM in place about the technology's positive impact on their bottom-line revenues.

Ask any firm that has undergone a Customs inspection—or a full-blown focused assessment—if the efficacy of GTM still is not clear to you. There are thousands of dollars in fines and demurrage costs, chargebacks, handling charges and attorney fees, not to mention the cost of lost time to market and lost time on the manufacturing floor.

What reasons do firms offer for their technology aversion? One excuse executives frequently offer somewhat sheepishly is, "I didn't know this type of technology existed." Software vendors crisscross the country to attend every industry conference and meeting and display their wares, while every month the supply chain trades feature articles, case studies and advertisements extolling logistics and GTM systems' benefits. How could GTM technology still fall below executives' radar?

Another consideration is the due diligence process. The average time to investigate and select a GTM system is 12 to 24 months. Initially, the process begins with the information technology staff or chief information officer who, by virtue of education and experience, understands the value of GTM. Vendors then find that, after months of dealing with knowledgeable individuals, upper management enters the procurement cycle for the first time, posing the proverbial questions, "What is this? Don't our brokers and

freight forwarders already perform this function for us? We hired a compliance person last year, can't he take care of that?" The process to inform begins anew and often breaks down before the technology is purchased.

If a vendor succeeds in jumping this hurdle and gets all levels of executives on board, the budget battle becomes the next line of resistance. Even when a vendor can demonstrate the ability to achieve a return on investment in 12 months' time or less, there still is no guarantee of corporate approval. The second-guessing continues, "We just bought this expensive ERP system, and they said it does GTM too. Why do we need to buy more software?"

Overcome this obstacle and then the need for self-affirmation takes center stage: "Who else in our business is using this GTM stuff?" No one wants to be the first on the block to purchase technology. Everyone wants to follow someone else's lead, rather than forging their own GTM trail.

The inescapable point that firms seem to be missing is that investment in GTM technology represents the "last frontier" where companies can recover bottom-line revenue. The quest for corporate economies started years ago on the production floor with technology designed to increase productivity and efficiency. The focus then shifted to the warehouse and efforts to decrease inventory levels and promote timely distribution with WMS. More recently, ERP, PLM and CRM moved to the forefront. Today, the landscape has changed again. Firms are global, and they must harness technology to control their import and export business practices. The technology offerings are diverse and numerous. Regardless of vendor chosen, benefits will accrue.

For companies that embrace GTM solutions in their business model, the result will be greater flow and visibility across their supply chain. What methods or services work and which ones do not will be obvious immediately. GTM will provide a wealth of sourcing information, giving firms the ability to calculate landed costs to within pennies in most instances. GTM will illuminate special programs in foreign countries that can lower costs to market—opportunities that even the most informed companies might miss due to trade's dynamic nature. GTM will maintain all the documentation needed to undergo focused assessments in-house, verify compliance, reconcile purchase orders and commercial invoices and manage letters of credit and other instruments in the finance arena automatically. GTM will allow businesses to move products through Customs quicker—with fewer inspections, fines and headaches—and much, much more. GTM will free talented staff from mundane, labor-intensive tasks and allow them to channel their talents in more creative pursuits that enable the firm to maintain its competitive edge. Best of all, GTM will increase corporate profit centers.

Controlling trade from the beginning is the next step, and GTM technology is the best way to do it. Unanticipated gains will accrue to those who overcome their aversion to GTM technology. Firms who leverage its use to their advantage and reexamine their business processes in light of it will be the winners in global trade.

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