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Five Decisions Apparel Importers Must Make to Comply with 10+2

by *Wayne Slossberg, Vice President, QuestaWeb, Inc.*

On January 26, 2009, the Importer Security Filing (ISF) and Additional Carrier Requirements (known as "10+2") interim final rule became effective. 10+2 requires importers and carriers to submit to U.S. Customs and Border Protection (CBP) specific data elements on cargo to be imported into the United States by vessel. While CBP has indicated it will move slowly toward full enforcement, leniency depends upon an importer showing demonstrable progress in complying with 10+2 provisions or a "good-faith" effort. This limited enforcement policy will last through January 2010.

Apparel importers, in particular, face real challenges when it comes to acquiring the accurate and comprehensive data necessary to complete the 10+2 filing. However, discussion of data reliability could be the topic of an entire article in and of itself. Assuming your firm has cleared the reliability threshold, how will it gather and transform these data into an ISF and file it with CBP in a timely manner?

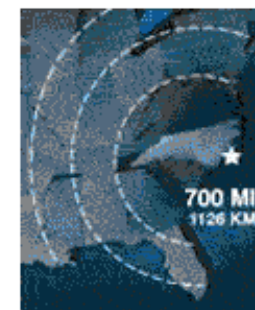
Apparel importers must make five key decisions to answer this question.

1. Importers must determine how to gather the data from their vendors. Data acquisition can be manual, electronic via e-mail or fax, or totally automated through several vendor solutions on the market that can assist importers in complying with 10+2 requirements.

2. Importers must decide who will generate the filings. Firms must decide whether to file themselves or rely on brokers/freight forwarders to file on their behalf. Cost will be a key consideration. It is estimated that broker-developed filings could generate transaction fees of \$20 to \$75, with an addition charge of \$10 to \$20 for each amendment. Given the normal fluctuations associated with apparel orders, the combined filing costs could be significant.

3. Importers must decide how to get the 10+2 information to their customs broker or CBP. Several options exist. Importers with a VPN connection to U.S. Customs can send data directly to CBP. The advantage of this approach is that a firm's broker will not have to duplicate its efforts or transmissions. Some solutions offer manual input and transmission to CBP through their VPN at minimal cost. While expenses are minimized, there is a downside: no one is checking the quality of the information being submitted. This might prove to be an issue a later on -- and a costly one at that. A few companies offer a standard electronic format for transmitting data to the customs broker filing on your behalf. This feature should reduce costs but does not eliminate concerns over the quality of the data submitted.

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4. Importers must choose between manual and automated methods for compliance. Few will disagree that the time allowed for importer filing -- and the overriding desire to get the product to market or into the next production phase -- necessitates an automated solution.

5. Given that automation is advisable, importers need to select from the automated solutions available. Apparel importers will be well advised to become conversant in the differences among product offerings and look for specific software features. A checklist of critical features follows:

*Multiple "process" options for data gathering and formatting. At a minimum, the solution should offer more than one option for data input. For example, does it allow the vendor to complete an Excel spreadsheet, return it by e-mail and automatically build the ISF? Does it allow vendors to log on remotely and enter their data directly? Can vendors receive your system's standard XML/ASN format and adhere to that format layout? Can you build ISFs directly from purchase orders/commercial invoices, if desired?

*Process options that allow both manual and electronic data entry.

*Process options that afford importer review and editing of vendor-provided data.

*Process options that allow the importer to manage the entire process by exception. That is, ISF creation and filing are totally automated, and intervention is only necessary when problems occur, such as missing data.

*Compatibility with broker systems for data receipt and transmission on your behalf.

*Capacity to link ISFs with entry documentation to assure compliance.

*Flexibility to accommodate change. ISF filing requirements and provisions will most likely evolve in the coming year or so as importer experiences become evident and CBP provides feedback on the rule from its perspective. It is imperative that the solution selected be flexible enough to incorporate these updates and changes as they occur. Software obsolescence should be anticipated and avoided prior to investing a single penny in 10+2 ISF technology.

Given the geographic dispersion of apparel manufacturers, importers would be well served by a Web-based solution that enables vendors and/or importers to enter data themselves. Such solutions also offer important data review and editing options, assuring that CBP receives accurate information on filings.

Implementing 10+2 may seem like a complex undertaking now, but it actually may prove easier than it appears. Time -- and experience -- will tell. Over the upcoming year, it is likely that broker fees for filing ISFs on apparel importers' behalf will decline somewhat because apparel manufacturers will accumulate significant costs under this compliance stratagem, especially if all manual processes are employed. Some importers will recognize that there is not enough excess built into pricing to support such fees and still generate enough revenue to survive. They will then turn to automation as their second choice. Others, who looked to the one-time investment in a totally automated solution first, will likely fare better financially.

Wayne Slossberg, Vice President, QuestaWeb, Inc., possesses wide-ranging expertise in sales, sales management, marketing, consulting, and automated systems implementation spanning GTM, PLM, ERP, SCM, MRP, ERP, and WMS technology. His business know-how extends from start-ups and pre-IPO firms to well-established corporations, where he regularly consults with C-level executives on U.S. Customs compliance for manufacturing, sourcing, retail, import, and export matters. Wayne brings hands-on experience to these discussions as a former owner and operator of both an apparel manufacturing company and a retail chain. This owner perspective, coupled with an in-depth understanding of what technology can do for a firm's business objectives, allows Wayne to offer practical, credible insight.

Prior to joining QuestaWeb, Wayne helped introduce automated technology into the production and business processes of automotive, aerospace, marine, apparel, and footwear companies. At QuestaWeb, Wayne focuses on bringing the benefits of GTM systems to importers and exporters that daily strive to meet the challenges of being compliant with the ever-changing rules and regulations of U.S. Customs.

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