

# What Can Global Trade Management Technology Do for Importers and Exporters?

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Global trade is a changin'! Yet, regardless of what the future holds, one thing is certain: Nothing will be more challenging—or more important—to importers and exporters than compliantly moving products in and out of the United States and other countries. Global trade is part of the fabric of today's business, and the need to be compliant will only become more critical—and more complex to manage—as companies increase the locales and vendors producing their product lines.

Companies recognize that trade compliance is a quagmire they must successfully circumnavigate or suffer the consequences of getting stuck: delayed speed to market and negative impact on the corporate bottom line. As a countermeasure, they see training as the first best answer. So, they diligently send compliance and logistics professionals to conferences and trade symposia to ensure they are current on the latest requirements and cognizant of regulatory changes looming on the horizon. Inexplicably, though, firms' first step often is the only action taken. They stop with training, thinking they have been proactive and covered all the bases. Nothing could be further from the truth.

Professionals, no matter how educated, experienced or talented, are limited by the tools at their disposal. A salesperson without access to telephone or internet access clearly would not stack up well against a competitor with these resources. So, why do businesses deem computers and spreadsheets sufficient tools to manage something as complex and changeable as global trade, especially when noncompliance can quickly spell financial disaster? Organizations think nothing of providing development teams the automated tools necessary to manage product development or giving finance departments the latest ERP technology. Firms readily install CAD software for engineering and WMS applications for warehouse distribution personnel. So why the hesitation when it comes to global trade management (GTM) technology?

Spreadsheets were never designed to perform the compliance functions being demanded of them. Spreadsheets were designed for minimal financial tasks and calculation purposes such as budgeting, forecasting and the like. Compliance is far more sophisticated and dynamic. It involves real-time data management. For the compliance officer trying to juggle all this information, the situation can become dire. Spreadsheets cannot keep pace with data needs, which can change daily. As a result, spreadsheet maintenance can consume as much time as actual trade compliance tasks.

Clearly, PLM, ERP, SCM, MRP, ERP and WMS were not immediately embraced at the outset. Oddly enough, though, the adoption cycle for GTM seems more delayed, especially among importers and exporters. Part of the explanation is easy to grasp. Spreadsheets are a familiar tool, and automation can be a scary prospect to those who have lived in the "rows and columns" mode for years. Rather, than push for automation, they are content to invest major portions of their work day updating old spreadsheets over and over again and adding links to yet more new spreadsheets as new regulatory requirements come into being. Lacking pressure for change from below—and perhaps personally lacking an overall grasp of the intricacies trade compliance can involve—company executives still seem to be stuck in the "Do we really need this stuff?" phase.

Hiring compliance specialists and giving them inadequate tools just doesn't make sense. Even supply chain management software, with its promise of increased supply chain visibility, is at best only a partial solution. Without input from a GTM system, SCM lacks essential compliance information that diminishes the visibility possible from the system.

## How Do GTM Solutions Add Value to Import Processes?

Let's break down the importing process to see precisely where and how GTM solutions can add value.

Every company that imports goods must classify its products. Some companies rely on vendors or brokers to do these classifications on their behalf. While no vendor or broker wants to see a client's product held up, inspected, destroyed or fined by U.S. Customs and Border Patrol (CBP), the reality is that vendors and brokers hold no liability if they incorrectly classify your company's goods. The importer of record retains complete legal responsibility, not the agents working on its behalf. Given the business ramifications errors can have in terms of fines and penalties—as well as the costs associated with increased CBP scrutiny in the form of inspections and focused assessments—is this really a task firms should be delegating to others simply because they are technology-averse? Investing in technology gives importers more control over their business processes. It also reaps cost savings over the short term as well as over the long term because automating compliance processes via GTM technology will lead to substantial financial return on investment. It will eliminate most labor-intensive tasks and even the need for human intervention in many compliance activities.

A GTM solution enables businesses to input a complete product catalog, allowing all classifications to be accurate, current and complete. When updates occur, most GTM systems will calculate the change in tariffs, maintain an audit trail of those changes, and mass-update all the products affected by the changes. Everything is completed in a matter of minutes. How long does it take compliance staff members to manually update the many spreadsheets containing products, tariff rates, pricing, etc.? Is an audit trail even possible without copying and saving spreadsheets? How confident can you be that your tenth-generation spreadsheets, which are being accessed by multiple staff members who are each adding and updating information using their own procedures, will correctly capture updates? We all know that spreadsheet security is minimal and that the addition of information can have unintended—and unrecognized—changes on critical formulas and on other spreadsheets to which they are linked. Unfortunately, if CBP catches these unrecognized changes before you do, the financial ramifications could be severe.

After products are classified, the next task is monitoring changes to the harmonized tariff schedule (HTS) classifications and their dates of applicability. It is no simple task staying current with changes if your compliance specialist is using a computer and spreadsheets. A GTM system with monitoring capabilities connected electronically to CBP can import changes, ensuring that all classifications are current and timely.

Next, binding rulings should be attached to products, and Anti-Dumping Duty/ Countervailing Duty (ADD/CVD) cases must be monitored and kept current. The more complicated the product—or the more parts involved—the more complex these tasks become. Also, there is the need to determine what entry documentation is needed and how current and complete it is at the time of shipment arrival. A GTM system can identify all the documentation requirements; automatically populate the required forms from systems data; and issue alerts regarding missing, incomplete, or inconsistent information. Via the GTM solution, complete documentation can be electronically submitted to the appropriate officials at the appropriate time.

Compliance specialists, depending on the firm, may have additional tasks to perform in order to keep goods moving and trade compliant. Questions in need of an affirmative answer include:

- Has approval for letter of credit (LC) payments been given?
- Does the shipment contain the exact amount of product specified in the original contract?
- Have amended purchase orders (POs) kept up with LCs and vice versa?
- If working on an open account, do the POs match the commercial invoices? What, if any, discrepancies exist?
- Have vendors been screened against denied party lists?
- If the same product is being manufactured in multiple countries by several different vendors, have all the individual documentation requirements for each country been recognized and satisfied?
- Have all the logistics costs, taxes, duties, fees and so forth related to products and their movement been properly identified and calculated?
- Has this information been accurately communicated to logistic providers?

With a GTM system, many of these tasks are totally automated. Consider the labor-hour savings that could accrue by automating the processes each question addresses.

Consider, too, the added administrative burden new initiatives such as the Importer Security Filing (ISF) regulation, better known as 10+2, and the U.S. Consumer Product Safety Commission (CPSC) certification add. While the processes for 10+2 and CPSC are still subject to change, both will undoubtedly add to the workload of already overburdened compliance officers managing trade compliance with spreadsheets. With a GTM system, the documentation requirements associated with both initiatives are easily accommodated, both from the perspective of preparation and submission to CBP and CPSC.

From a corporate perspective, sound business practice demands affirmative answers to the following questions:

- Can the cost of goods be estimated ahead of time to inform sourcing and production decisions?
- Is all the backup documentation detailing how you classified and managed a product in a specific shipment of goods filed and readily accessible should CBP request it as part of a focused assessment?
- Are key personnel receiving real-time information so that delays throughout the supply chain can be anticipated and avoided before they reach a critical stage?
- Is trade being managed by exception such that only those transactions that fall outside normal parameters require human intervention?
- Are error rates close to zero?
- Are the human and financial resources associated with the firm's global movement of products as cost-effective as possible?

Spreadsheets cannot readily provide affirmative answers to these critical queries. Only GTM technology responds to these business needs.

GTM technology also delivers A robust, fully automated, exception-driven system with rich functionality, sophisticated business rules and verified compliance content can minimize user interference and minimize—or at least alert the proper parties of—human-infused errors, both honest and fraudulent. Owning such a system demonstrates an intent to be compliant, which quickly translates to a return on investment.

### **What about Exporters?**

My words to exporters are, “If you think importing is a challenge, you haven't seen anything yet!” For exporters, the business concerns are the same at each stage in the process—only the process occurs in reverse. Before you fill orders and ship product, you need to screen potential clients against the most current agency lists. If you require several weeks to fill an order, you will need to screen again to see if the end-user has appeared on any lists since the first screening.

Can you easily screen with the most up-to-date information using a computer and spreadsheets? There are many content providers out there (i.e., vendors who offer subscriptions to up-to-date denied-party lists as well as tariffs, HTS, codes, and more). However, what do you do with the content obtained from your subscription? How do you manage it? Well, if you are downloading content into spreadsheets, you have once again increased the number of spreadsheets your compliance staff must manage. Are there controls in place to ensure they are working with the most recent update?

The goods you produce may generate a separate set of requirements. You must determine whether export licenses are required and whether the client resides in an embargoed country. Once a license is obtained, you also must track balances on an ongoing basis as each is associated with a discrete financial limit. Can you keep track of year-to-date export license balances, current embargoed countries and other critical requirements with a spreadsheet? Of course, the answer to each of these questions is

“Yes,” but the real question is, “At what cost?” Consider the inordinate amount of time, not to mention the scope of potential errors, possible.

Even if spreadsheets are an option for these processes, what about the documentation? Can you easily bring together all this information to meet all your export requirements and populate and generate the documentation your logistics vendors require?

GTM technology is the one and only automated means designed specifically to manage all these specific types of information cohesively and help streamline all the related business processes in a compliant, efficient and productive way.

### **Closing Thoughts**

The tasks mentioned herein are just the tip of the iceberg when it comes to managing import and export processes. Compliance is a major corporate focus now, and it will only become more important in the future. To me, the case for acquiring GTM technology makes itself. However, since GTM technology purchase decisions occur at the C-level in most organizations, it is the C-level executives who need to be convinced.

If nothing I have stated thus far has convinced you, consider this: CBP recognizes how difficult it is for firms to be compliant using a spreadsheet-based system. Owning a GTM system, with its sophisticated, automated business rules and verified compliance content, demonstrates to CBP an intent to be compliant and a greater likelihood of being compliant a greater percentage of time. This perception can quickly translate to a return on investment. Less CBP scrutiny can translate to measurable savings directly via fewer inspections and indirectly through unimpeded handling of your shipments.

So, I ask all the “chiefs”: Why not harness automation in your trade compliance functions and add economy, efficiency and precision to your operations? GTM technology offers importers and exporters real opportunities to reduce costs, increase revenue, obtain true global visibility and be compliant.

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