



Benchmarking Global Trade Automation

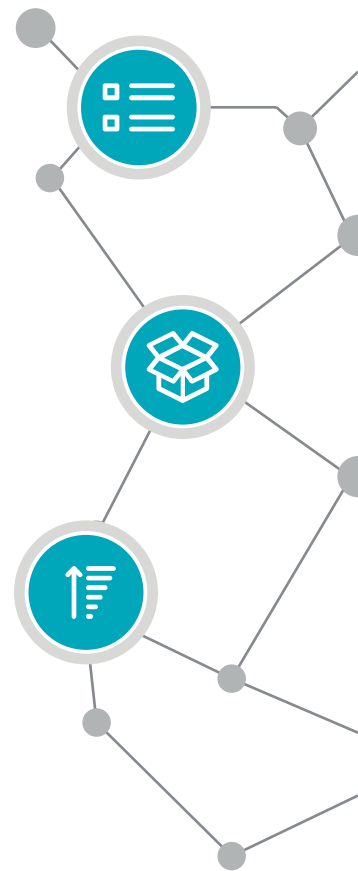
Deloitte's Global Trade Automation Survey Report

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Introduction

In today's evolving regulatory landscape, multinational companies with complex supply-chains must simultaneously manage risks, reduce costs, pursue savings opportunities, and allow a seamless cross-border clearance. An effective trade compliance program can help shape business decisions in these challenging environments to directly improve a company's bottom line. For understaffed trade compliance groups, an automated global trade management ("GTM") solution is becoming an increasingly strategic opportunity to effectively leverage technology that can increase visibility into cross-border movements, move to exception management from "firefighting," and take advantage of data analytics and predictive reporting with the goal of alleviating costs and increasing supply chain opportunities.



This *Global Trade Automation Survey Report* examines how companies of different sizes in eight different industries approach GTM systems deployment, and functionality. The findings and conclusions presented in this report are informed by information gathered from the following sources:

1. Qualitative and quantitative data obtained via a survey of over 60 trade compliance professionals that explored specific questions pertaining to GTM systems implementation and functionality; these respondents represented various industries that engage in the day-to-day management of import and export compliance for their companies and regularly work in the various GTM systems available on the market today; and
2. The observations of Deloitte's Global Trade Advisory Group with extensive experience working with global companies across industries in the selection, design, implementation and sustainment of their GTM systems.

- In the process of implementing a GTM system
- Implemented a GTM system

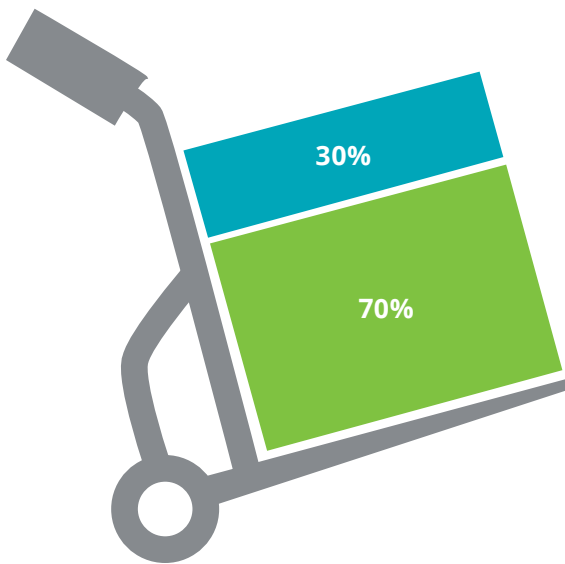
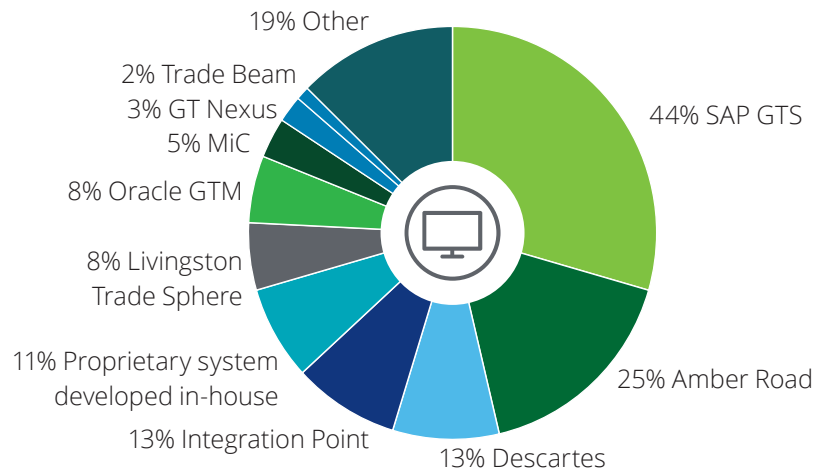


Figure 1. Types of GTM systems utilized (respondents could choose more than one system)



Respondents outlined their path, the drivers, and the organizational impacts of implementing a GTM solution. Additionally, respondents were able to provide detailed information on how they presented a business case for a GTM system, the functionalities deemed necessary for the effective management of their import and export compliance obligations, and how they are utilizing reporting and analytics to identify potential direct and efficiency cost savings.

Some specific takeaways from Deloitte's Global Trade Automation Benchmarking Report include:

- 70% of respondents have implemented a GTM system and the remaining 30% are in the process of implementing a GTM system;
- The most common system utilized by respondents was SAP Global Trade Services ("GTS");
- 81% of respondents were required to present a business case to deploy a GTM system;
- Greater visibility associated with business transactions was the primary consideration for GTM deployment;
- Generally, implementing a GTM system did not affect staffing structure; and
- Risk identification is considered the most desired analytical capability for GTM systems.

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Building a Business Case for GTM Deployment

Given the complexity involved in global trade, GTM systems represent a significant opportunity to improve accountability and create a competitive advantage. For 81% of respondents, creating a business case for a GTM system was a required and strategic approach in outlining how an automated trade solution provides benefits across the end-to-end supply chain process.

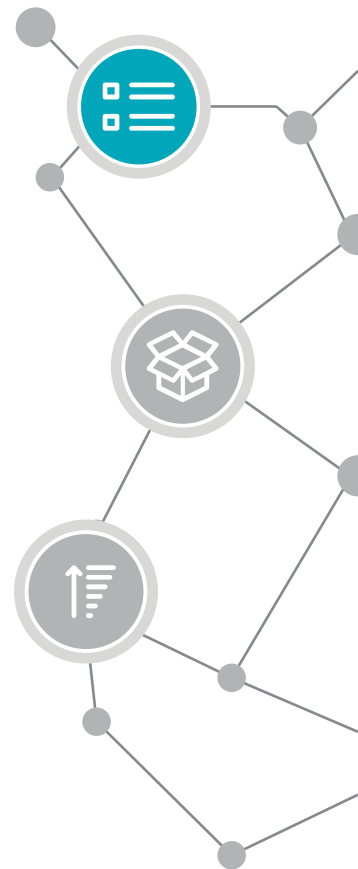
GTM automation business cases tend to be a joint effort with representatives from trade compliance, other business functions (e.g., supply chain, logistics, and customer service), and information technology ("IT"). Identifying and aligning the value case across these cross-functional groups is critical when developing a successful GTM business case.

Finding #1. 81% of respondents were required to present a business case to implement a GTM system.

Defining an end-state GTM vision and outlining the steps necessary to realize

that vision remains a challenge, particularly when it comes to a business case for GTM deployment. A key component of this challenge is the difficulty in finding a mix of resources with the requisite regulatory knowledge and technology experience to properly define the geographic and functional scope and to effectively deploy the GTM system.

Respondents noted the key concern from the IT side tends to focus on compatibility with different ERP feeders systems, as IT focuses on tactical implementation considerations and the long-term challenges and costs associated with maintaining and upgrading systems. From a trade perspective, the key concerns are addressing regulatory compliance and identifying supply chain efficiency gains. By contrast, the key concern from business sponsors tends to center around the overall return on investment from implementing a GTM system.



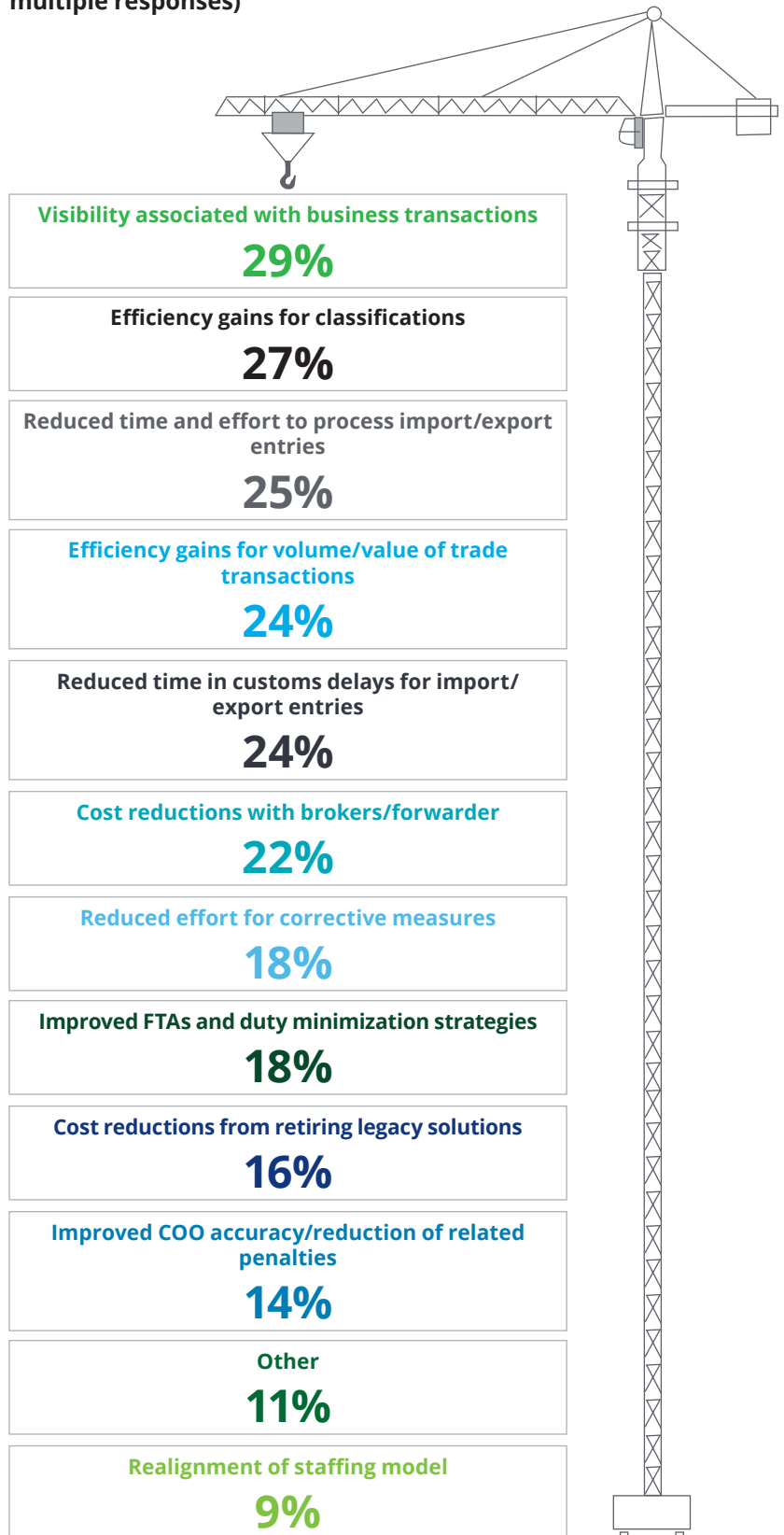
To illustrate a return on investment from the business side, it has been our observation that a business case that presents a combination of hard and soft savings is generally the most successful and often includes the following considerations:

1. Emphasis on Risk Management—Decreased risk of non-compliance and supply chain disruptions;
2. Cost Reduction—Duty and cost reduction strategies including visibility into tactical sourcing options to take advantage of cost reduction opportunities (e.g., preferential duty programs, decreased broker/freight forwarder fees);
3. Efficiency Gains—Increased productivity and operational execution optimization (e.g., decreased lead time in the supply chain cycle or realignment of roles and responsibilities due to reduced requirements for manual activities and processes); and
4. Greater Visibility—Consolidated source of trade compliance and business data including cross-border operations across multiple countries and sources.

Finding #2. Greater visibility associated with business transactions was the primary consideration for a business case.

Gaining greater visibility into cross-border operations in multiple geographic regions is an ongoing challenge for companies (especially those with multiple enterprise systems and a complex IT landscape). However, GTM systems can collect and consolidate data from multiple regions and sources to provide a single consolidated view of global trade compliance and related supply chain activities. Given this increased opportunity for data and operational insight, trade compliance professionals indicated that visibility associated with business transactions was the most important consideration taken into account for a business case for a GTM system, followed by efficiency gains for classification, and reduced time and effort to process import and export entries (Figure 2). The impact that a GTM deployment would have on the organization's staffing model was among the lower considerations taken into account.

Figure 2. Considerations taken into account for a business case for trade automation (respondents were allowed to select multiple responses)



By enhancing visibility into business transactions, companies gain a consolidated view of global supply chain operations. This yields the potential opportunity for more efficient sourcing and manufacturing decisions, streamlined cross-border activities, and decreases in operational costs.

Respondents also noted that increasing scrutiny from government agencies contributes to the need for immediate access and visibility into data and transactional details. As is the case with companies, customs authorities are utilizing broader technology capabilities with greater efficiencies to collect and utilize data. With increased proficiency, customs authorities can now generate transaction-level data to quickly identify potential outliers and target companies for compliance reviews, effectively turning data into information.

Finding #3. Budgetary limitations were the primary restriction for implementing a GTM system.

For those respondents who had implemented a GTM system, 33% noted that funding or budgetary restrictions had previously been the primary restriction. This was followed by complexity of IT landscape (27%), and (lack of) executive sponsorship (21%) (Figure 3). The complexity of the broader IT landscape has a direct bearing on the overall cost to implement a GTM system, reinforcing the impact of cost as a restriction. This is largely due to the fact that complexity increases both internal costs (e.g., additional resource allocation) and external costs (e.g., systems integration, software licensing, etc.) and impacts the overall functional capabilities of the GTM system. This point is further explored in Finding #8 as it relates to analytics.

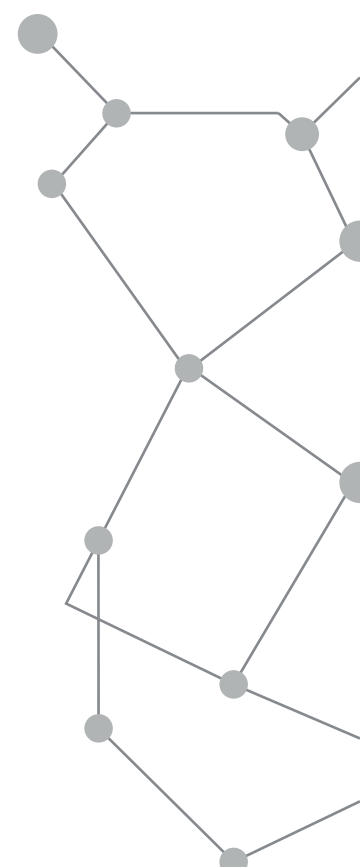
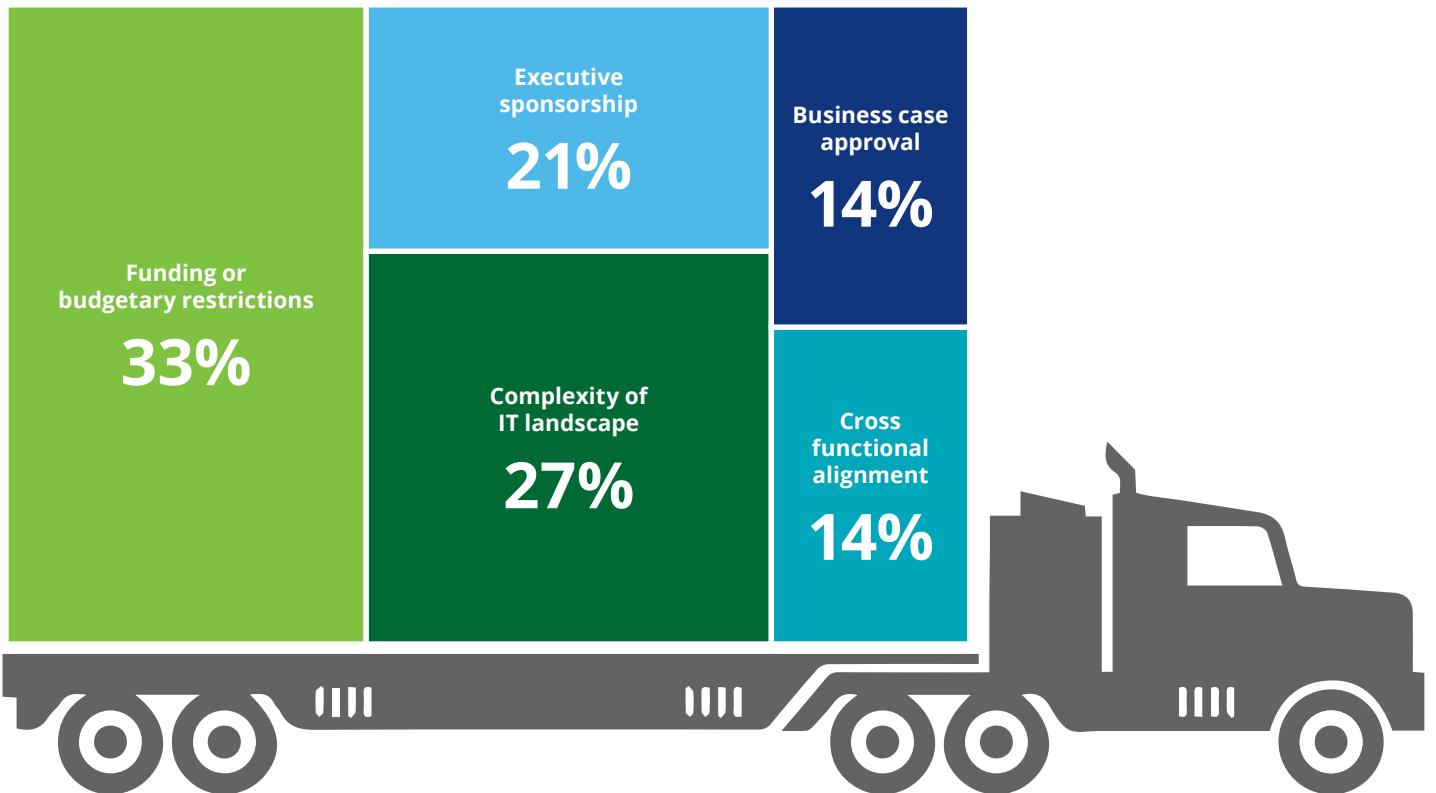


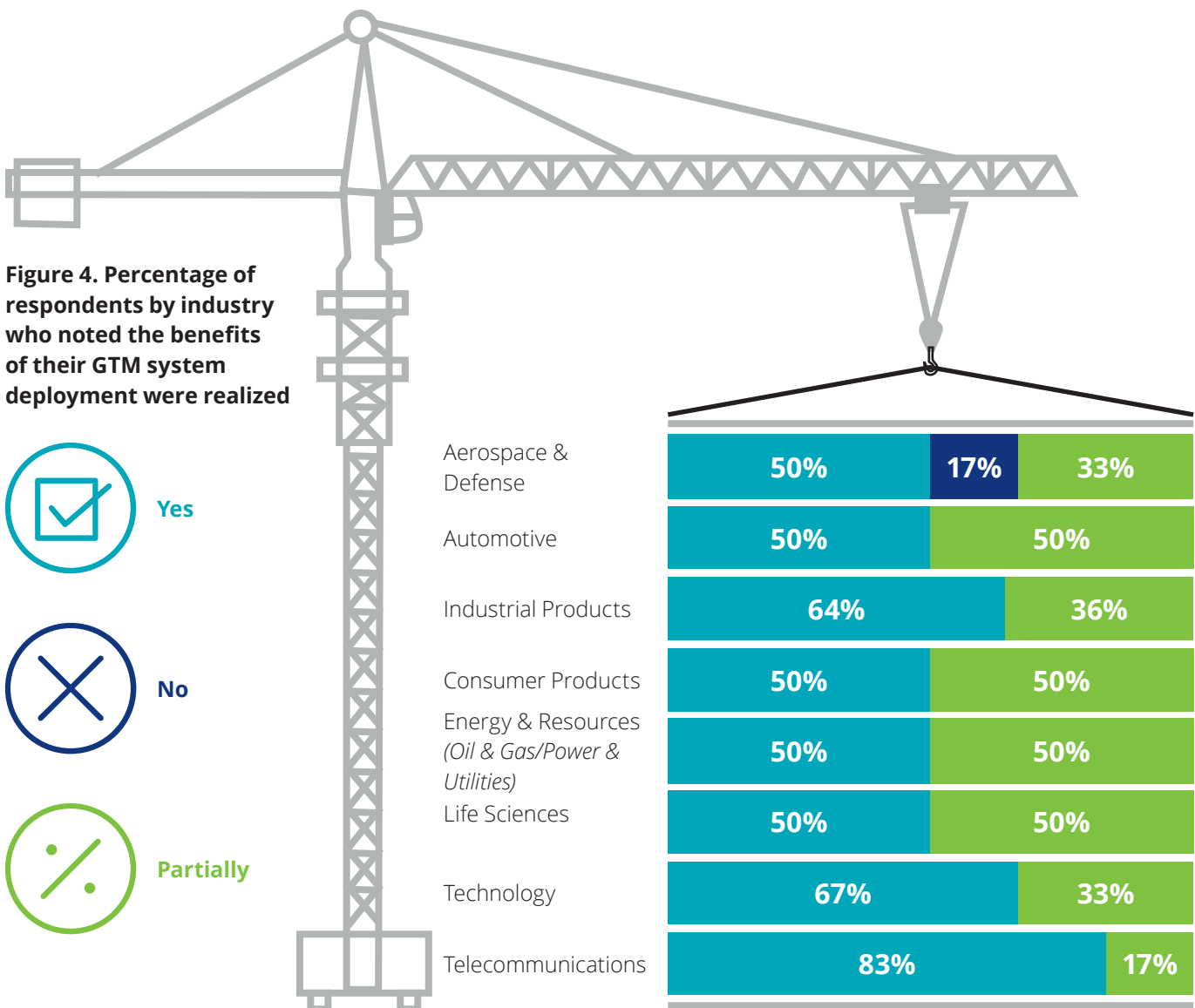
Figure 3. Reasons that had previously prevented respondents from implementing a GTM system



Finding #4. 61% of respondents indicated that planned GTM system benefits were realized.

One aspect of a GTM implementation that is often missed or de-prioritized is a retrospective analyses of whether or not the implementation achieved the goals and objectives set forth in the business case. However, 61% of respondents noted that the benefits of their business case were realized through the deployment of a GTM system. The majority of the remaining respondents indicated that benefits were only partially realized primarily due to lack of expected reporting capabilities to drive trade analytics. More specifically, respondents from the Telecommunications (83%), Technology (67%), and Industrial Products (64%) industries indicated the highest percentage of benefits realized by their GTM system deployment (Figure 4).

Measuring the extent to which an implementation achieves its intended results can be a challenging endeavor and discussions with respondents revealed that companies adopt varying approaches. While some companies measured benefits tied to increased compliance from standardized workflows and centralized data that eliminated errors and lead-times, others focused on cost-savings (e.g., hard savings achieved using optimized supply chain sourcing strategies). The key point is that performing this look-back exercise is essential and cannot be ignored as part of a successful implementation.



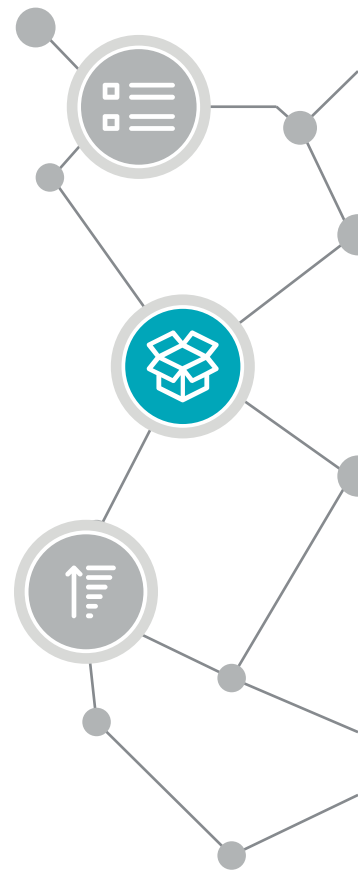
Current GTM Functionality

Implementing a GTM system continues to change how global trade professionals execute their jobs. As GTM systems continue to mature, they typically result in increased access to data and cross-border operations, thus enabling global trade professionals to provide greater value to their organizations.

Finding #5: Implementing a GTM system does not impact staffing structure.

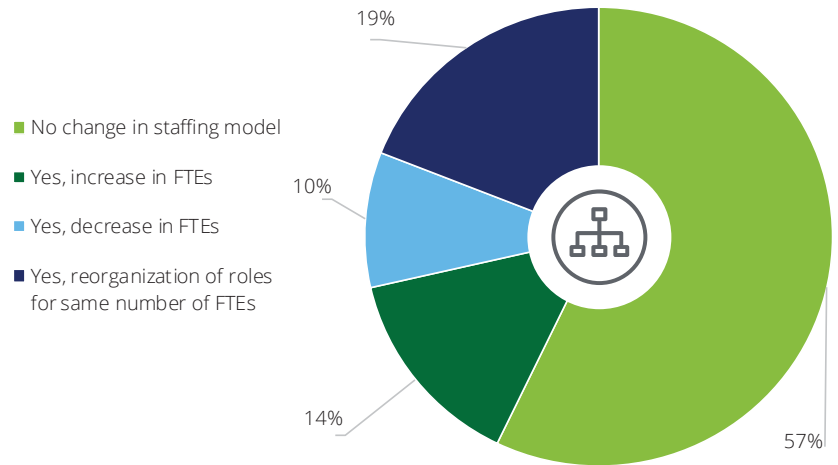
While an investment in technology can lower headcount, it more often triggers a redeployment of resources to activities that strategically enhance trade compliance operations. These resources are often occupied in roles involving time-consuming document preparation and transactional management, which leaves little time for strategic initiatives.

Trade compliance professionals often express that they are typically playing “catch up” with the volume of tasks placed upon their functions. With the advent of a GTM system, these individuals are able to rely on the system to handle previously manual tasks, integrate complex data models, and reprioritize their time and attention to more value-added tasks. In some cases, the implementation of a GTM system can actually create the need for additional headcount to manage the GTM system. For example, additional personnel may be required to track data accuracy and integrity, take broader ownership for tasks previously owned by brokers and forwarders as part of the import/export declaration process, and when managing more complex duty reduction planning (e.g., free trade agreement qualification).



Survey results indicated that when companies deployed a GTM system, 57% of respondents did not experience a change in staffing structure, 19% reported a reorganization of roles for the same number of full time equivalents (“FTE”), 14% had an increase in FTE headcount, and 10% actually had a decrease in FTE headcount (Figure 5). Respondents also discussed that a business case for a GTM system that calls for an increase in trade compliance headcount would be a hard sell to upper management, especially if the company had not experienced significant trade compliance issues. Qualitative discussions noted that by centralizing the trade compliance function, a broader career trajectory for trade compliance professionals was created, thus resulting in greater institutional knowledge and recognition for overall trade compliance operations. Other respondents spoke to the fact that a GTM system was a prerequisite to deploy a center of excellence or shared service model to manage compliance operations, thus creating a strategic advantage and delivering greater value across the organization.

Figure 5. Impact of GTM system deployment on organizational staffing headcount



Finding #6: Companies use GTM systems to automate a range of trade compliance functions.

GTM systems providers have begun offering broader capabilities such as analytics, bonded warehouse and foreign trade zone management, and management of other government agencies' trade requirements. At the same time, they are able to offer additional strategic capabilities, including free trade agreement qualification, country-specific import/export self-filing capabilities, and integration with transportation management systems plus brokers and forwarders.

Respondents indicated that for both import and export activities, day-to-day operational tasks such as classification storage and determination are among the activities most frequently automated (Figures 6 and 7). However, few respondents use a central GTM system for license application, non-preferential certificates of origin determination, and bonded warehouse/free trade zone management, deferring to localized systems to support these trade compliance activities. As GTM capabilities become more sophisticated, cutting-edge technologies such as blockchain, machine learning, and robotic process automation ("RPA"), are becoming another means to enhance business operations and IT performance.

Figure 6. Top 10 import activities companies manage with GTM systems (respondents were allowed to choose multiple responses)

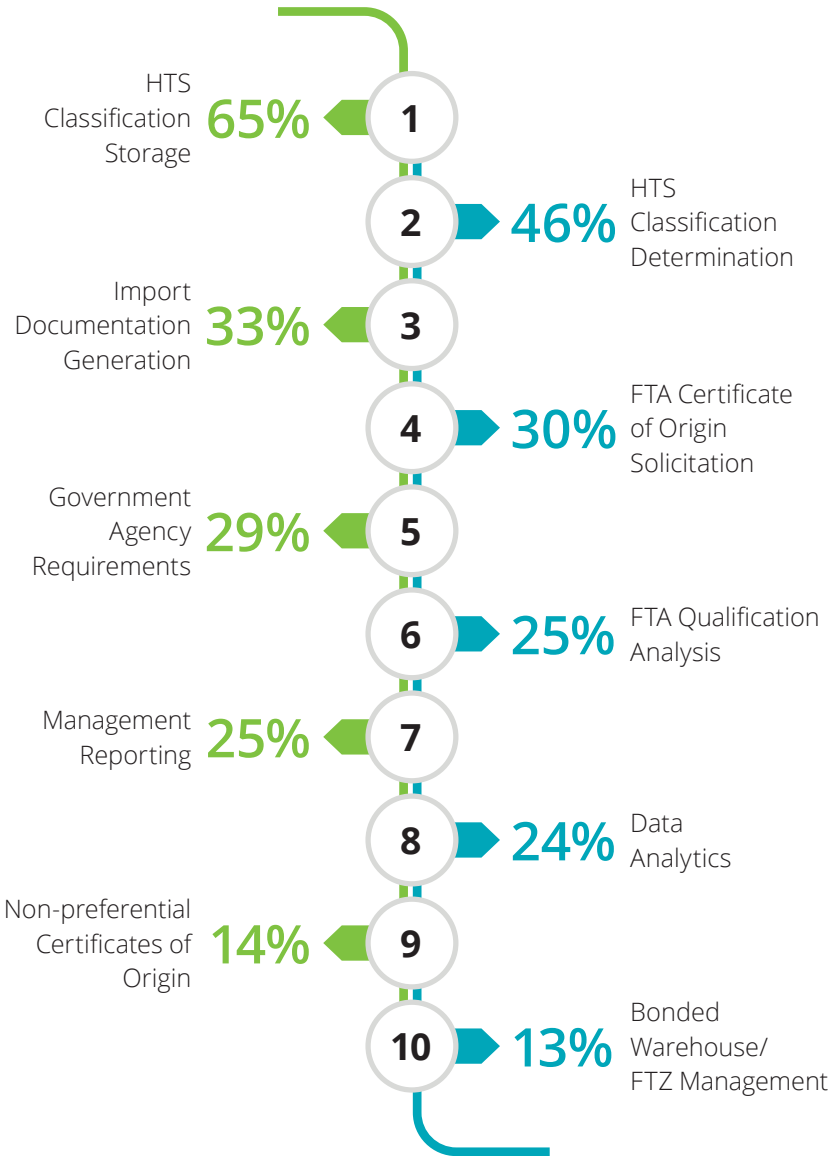
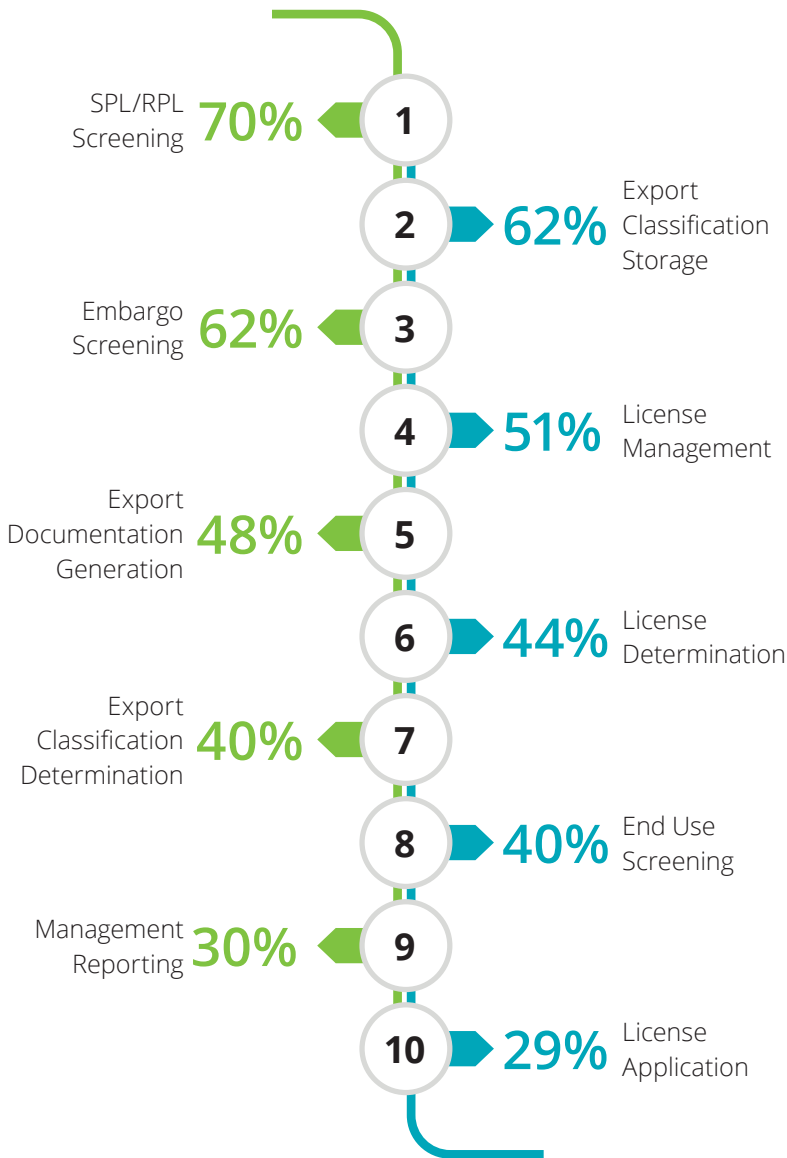


Figure 7. Top 10 export activities companies manage with GTM systems (respondents were allowed to choose multiple responses)



Finding #7: Risk identification is a top priority for GTM users.

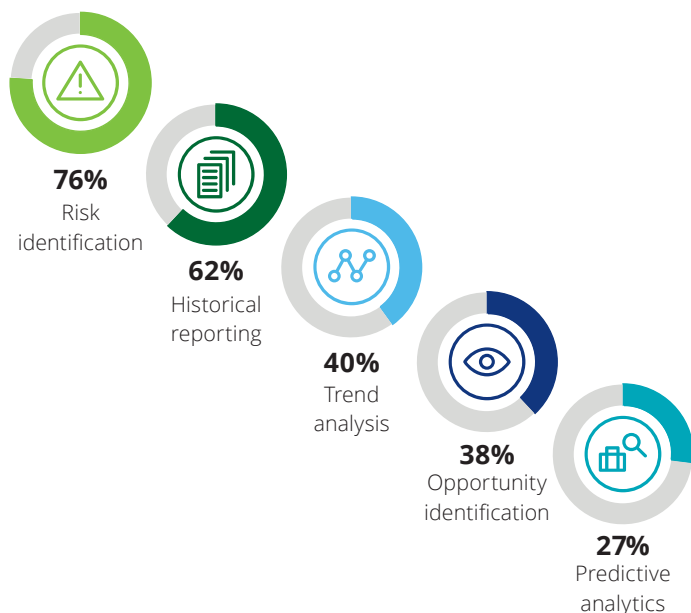
Understanding the complexities of the trade compliance environment requires having the right data at the right time. Obtaining accurate data is a prerequisite to creating a more efficient business model that is capable of making informed decisions about compliance and supply chain operations. While the terms “reporting” and “analytics” are often conflated to describe data uses, each term provides a different function to bring value to a company:

- Reporting refers to the process of organizing data into summaries to monitor business operations.
- Analytics pertains to further analysis of both reports and data sets to extract greater insight into a company’s operations to identify opportunities for improved business performance.

With broader reporting capabilities and higher degrees of accuracy, businesses can leverage data into predictive analytics that will provide trade compliance groups with the insights needed to enhance their business function.

When asked what reporting and analytic capabilities are most important for managing trade compliance operations, respondents indicated that risk identification, including total duty paid and duty saved through conditional trade preference programs, was the top priority (Figure 8). Historical reporting such as identifying the number of import/export declarations for a certain period of time or a summary of classifications used, was also a top priority. Predictive analytics such as risk intelligence and transaction simulation analysis were least important. Based on qualitative discussion, this was most often due to the high level of difficulty in fully implementing such analytics rather than the lack of value that they would provide.

Figure 8. Most important reporting and analytic capabilities for GTM users

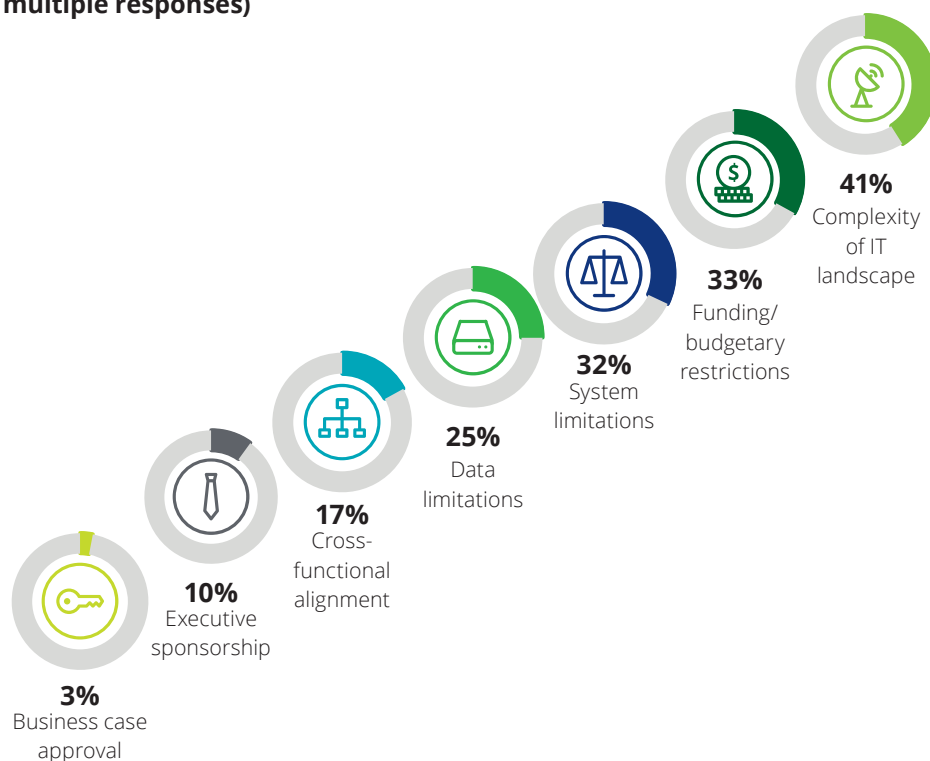


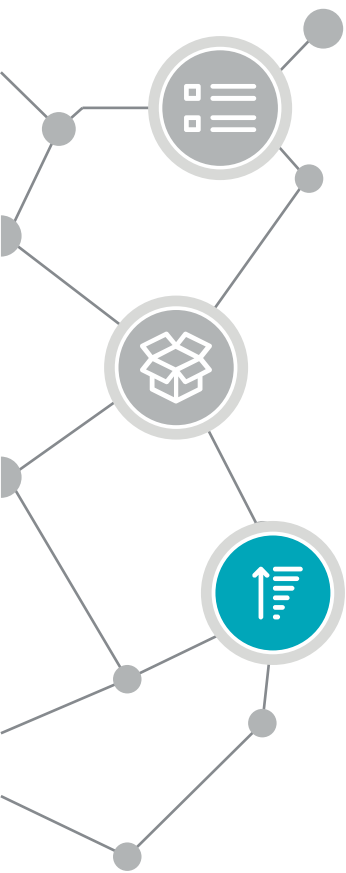
Finding #8. Complexity of IT landscape poses the biggest hindrance to realizing reporting and analytic objectives.

Aside from financial and budgetary constraints, respondents emphasized the complexity of the IT landscape (41%) as well as system and data limitations (32% and 25%, respectively) as challenges to reporting and analytics capabilities (Figure 9). Complexities related to the IT landscape often include multiple legacy systems, insufficient integration across the existing landscape, lack of system integration for data sharing, and high levels of system customization. When working across a fractured IT landscape, higher complexity technical integration efforts and data alignment efforts are required to access data across the enterprise. Businesses struggle to overcome the task of accessing disparate systems with varied data models. Issues pertaining to internal functional alignment, executive sponsorship, and business case approvals posed significantly fewer challenges related to reporting and analytic objectives.

Additional discussions indicated that immediate access and visibility to GTM system regulatory content and associated data sets was critical to operational visibility and monitoring/ adapting changing regulations and maintaining accurate content. Workshop participants indicated that as requirements change, GTM systems need to be flexible enough to adapt to the regulatory changes so that companies can avoid out-of-system solutions. Respondents noted the importance of having a trade compliance team that is knowledgeable with the content selection process and familiar with automation system functionalities (e.g., ERP integration, how to evaluate system blocks, and trade regulatory rule set system determination). A potential consequence of team members insufficiently informed about the impact of regulatory requirements on GTM systems could be the lack of timely adoption and overall systems alignment to meet the updated regulations which can result in systemic non-compliance.

Figure 9. Reasons why respondents were unable to realize their reporting and analytic objectives (respondents were allowed to choose multiple responses)





Desired GTM Functionality

While respondents indicated that current GTM systems meet most requirements, a disconnect remains between current and desired GTM functionality, as most global trade professionals continue to look for opportunities to provide greater value to the business and supply chain.

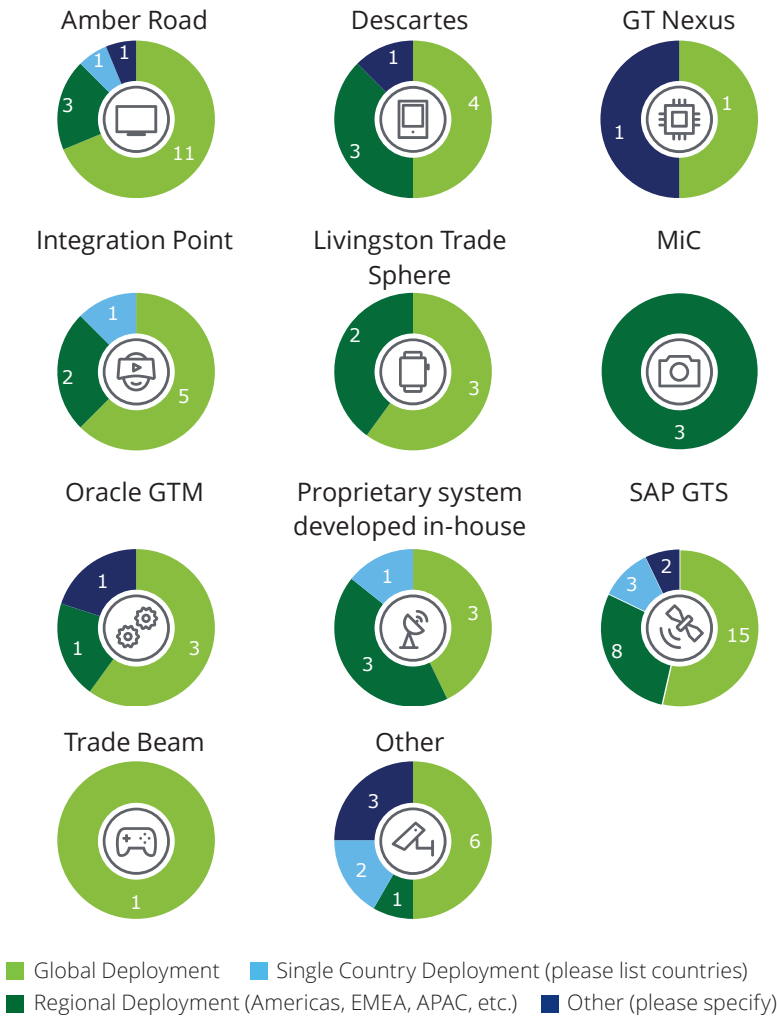
Finding #9: The majority of companies want a single instance of a GTM system.

60% of respondents that use some form of automation have deployed a global GTM system to address regional and local regulatory and operational requirements; however, qualitative discussions with respondents indicated that companies utilizing a regional or single country deployment are working

towards a single global instance. Achieving a single instance can result in reduced master data maintenance, a global view of transactional details, clearer visibility into local jurisdiction issues, as well as providing a platform to support strategic global trade compliance operating models (e.g., Centers of Excellence).

Some respondents spoke to the deployment of a baseline GTM system to meet foundational country-specific requirements across a broad number of jurisdictions, yet still maintained some local point solutions to support strategic duty reduction approaches such as free trade agreement determination and documentation for miscellaneous shipments.

Figure 10. Types of automation systems used by type of deployment

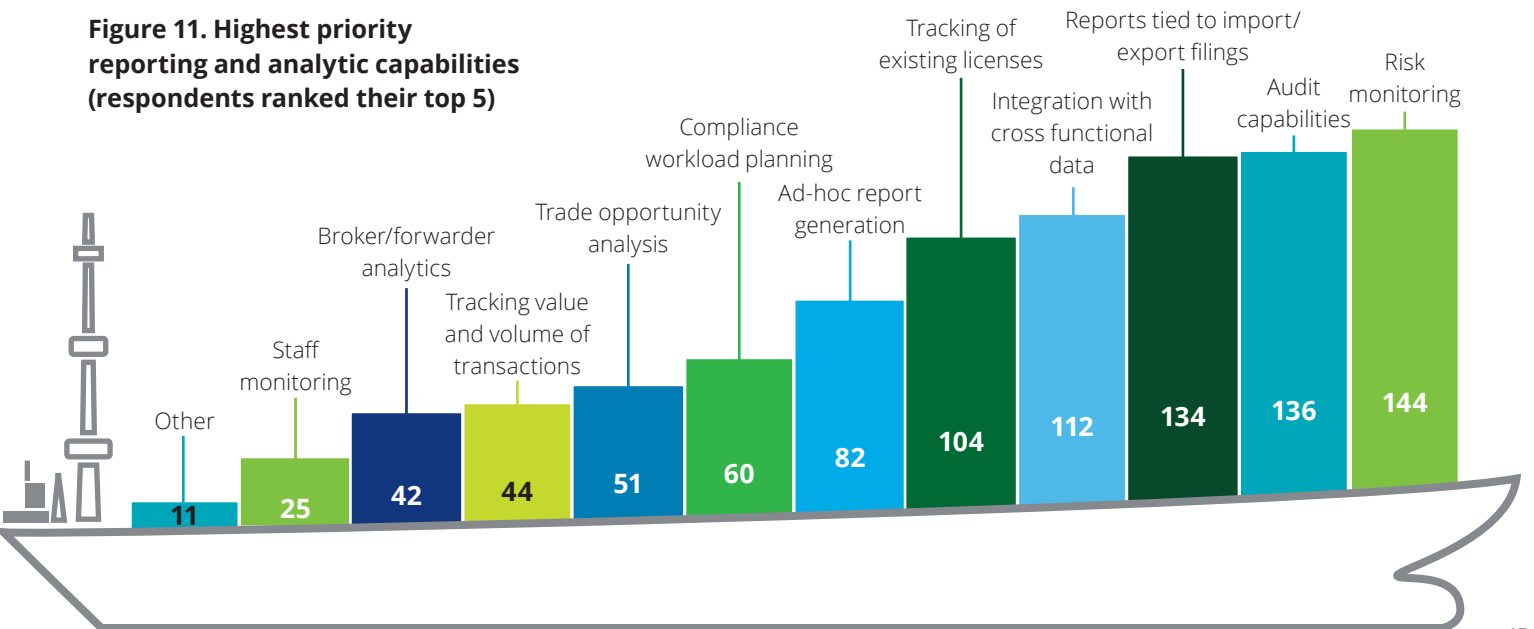


Finding #10. Risk monitoring was the highest priority reporting and analytic capability for GTM systems.

Respondents indicated that current GTM systems meet some requirements for reporting capabilities; however, a disconnect remains between current and desired GTM functionality. Respondents indicated that risk monitoring, audit capabilities, and reports tied to import/export filings were the most important reporting capabilities (Figure 11). During qualitative discussions, respondents indicated that while many GTM systems can generate reports, useful predictive analytics would be important for future GTM functionality. Current predictive capabilities often depend on trade compliance professionals knowing how to manage the underlying data which can lead to strategic considerations, such as optimizing supply chain sourcing costs in ways to benefit preferential duty rates, logistics warehousing options to defer duty payments, or pricing considerations to improve market positioning.

However, historical reporting data coupled with specified analytic capabilities would allow trade compliance organizations and the broader business function to project future trends and target strategic objectives. The potential application of such analytics ranges from cutting import/export filing costs, exploring the duty impact of shifting product sourcing, preferential tariff benefits, and identifying potential compliance risks before they become larger issues.

Figure 11. Highest priority reporting and analytic capabilities (respondents ranked their top 5)

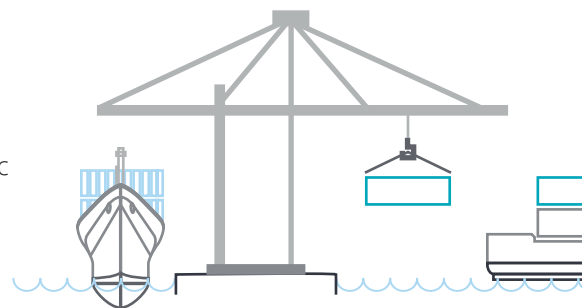


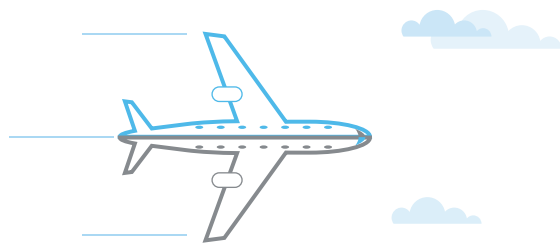


Conclusion

Today companies use GTM systems to automate a range of day-to-day operational tasks and make more informed business decisions. As indicated by the entirety of respondents who either currently utilize a GTM system or are in the process of implementing a solution, GTM systems are serving as a valuable investment for companies with complex supply chain operations.

While companies with international supply chains will continue to face challenges related to increasingly complex business operations, global trade compliance operations, and cross-border regulations, adopting a GTM system enables companies to more effectively manage their global trade program. Specifically, the ability to enhance visibility into business transactions and to use analytics to identify potential risks to supply chain operations. Furthermore, with the continued emergence of cutting edge technologies like blockchain, machine learning and robotic process automation (RPA), GTM systems will continue to be an essential integrated component for companies to remain competitive in a global trade environment.





Appendix

Background on Deloitte's Global Trade Advisory team

In a competitive environment where managing risk, reducing costs, and pursuing savings opportunities are important drivers for trade professionals, investigating options for trade automation becomes critical. Deloitte has broad-based experience supporting companies in the development, maintenance, and growth of their global trade management systems. With more than 550 Global Trade Advisory professionals located in over 100 countries worldwide, Deloitte's global network of professionals provide our clients with local country insight and attention where they operate.

Our trade specialists have teamed with leading software vendors, as well as with Deloitte Consulting LLP—the foremost systems integrator—to configure and customize automated applications to address our client's needs and circumstances. Examples include:

- Developing business case and value engineering assessments for global trade management application deployments.
- Performing global trade management application evaluation and selection services.
- Assessing existing global trade management application architecture and advising on ways to enhance process, systems design and data management.
- Designing, implementing and deploying over 50 SAP Global Trade Services engagements across 35 countries; these engagements covered a broad number of industries with tailored approaches to address global and regional trade compliance requirements, customs documentation and duty reduction planning (including the use of numerous free trade agreements).
- Serving as a leading integrator of Oracle's Global Trade Management solution.
- Teaming with leading global trade management application providers to augment existing functionality in response to client objectives and the ever-changing regulatory framework.



Contact us

If you are interested in participating in or receiving future surveys, have questions regarding this report or would like to participate in our upcoming global trade conferences, please contact:

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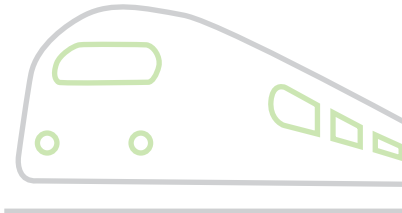
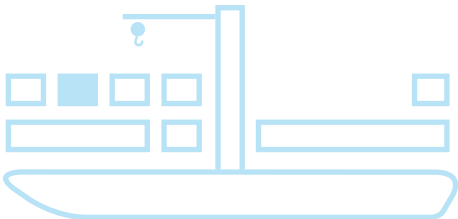
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