

BUILDING THE BUSINESS CASE FOR GLOBAL TRADE MANAGEMENT

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“ The next few years should carry the global economy into the next wave of globalization, critically underpinned by sophisticated and pervasive digital technology that reduces international trade barriers, improves communication between cultures, levels the playing field for entrepreneurs and startups, and forms the foundation for an always-on global economy. Our projections show that world trade is expected to quadruple in value to reach \$68.5 trillion of goods traded each year by 2050.¹⁶ ”

Are you ready?

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Introduction

GTM is defined

GTM has its challenges

GTM gets a new business case

Key takeaways and closing



The role of GTM has evolved

That means your business case should too.

The scales have shifted

Historically, trade compliance was a back-office function focused on risk mitigation. The goal was avoiding penalties, side-stepping jail time, and protecting the company's reputation. Nothing more, nothing less.

While those are important goals – which help you remain in good standing with Customs and safeguard your trading privileges – they don't support an overall supply chain strategy. You aren't making advancements because you're always on the defensive.

That's where global trade management enters as a competitive edge.

GTM has a new business case

With the total volume of world merchandise trade expected to grow by 3.7% in 2019, more companies are looking across international borders to find and connect with trading partners, suppliers, and customers.²⁸ That calls for a stronger, faster supply chain and a better approach to GTM.

Companies are now exploring how an effective GTM strategy can:

- Impact sourcing decisions and lower total landed cost
- Decrease delays, demurrage fees, and operational costs
- Increase supply chain speed and streamline border crossings

We know that GTM technology can help your company move forward. That's why we created this e-book to help you understand the business value of GTM technology and how it supports your overall supply chain.

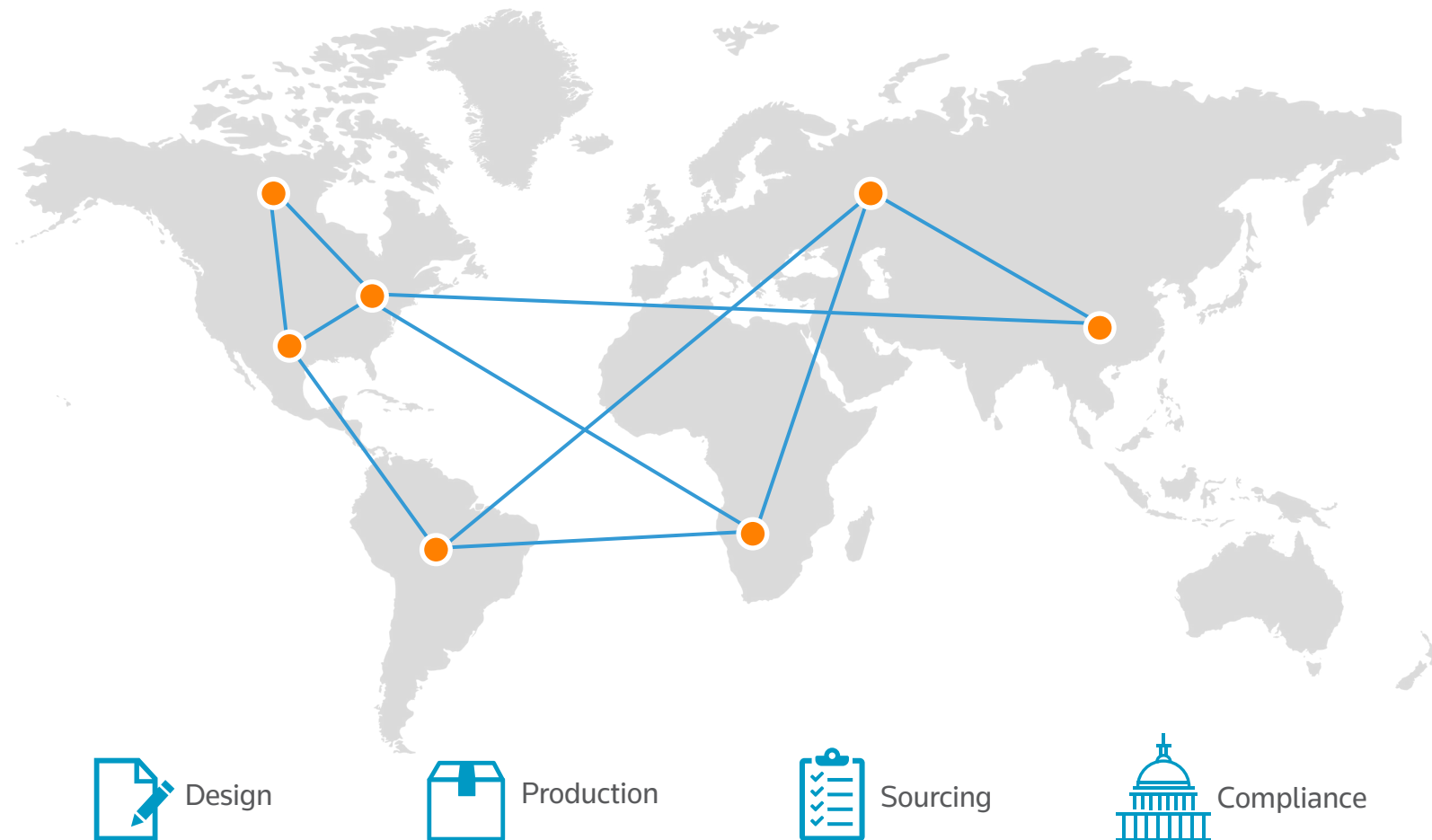
The old GTM meets the new GTM

Old GTM

In the past, GTM began when the shipment was ready. It meant moving the shipment from origin to destination at a low cost and in a timely manner.

New GTM

The new GTM, on the other hand, recognizes the increasing complexity involved in global trade and the need to span design, production, and sourcing decisions as part of its end-to-end scope. This new approach to GTM includes everything that's needed to source, qualify, produce, and import/export the product with minimal risk.⁴



01. GTM is defined



First things first

Before we dive into the business case, let's review a few terms.

global trade management

- n. the practice of streamlining the entire lifecycle of global trade across order, logistics, and settlement activities to significantly improve operational efficiencies and cash flows.²⁰

Used in a sentence:

The comprehensive nature of GTM is a boon for organizations that fully embrace the cross-functional, system-wide view of global trade.

global trade compliance

- n. the practice of addressing the rules, regulations, and trade-specific costs of conducting cross-border trade.¹¹

Used in a sentence:

If GTM is the cross-functional, system-wide view of global trade, then global trade compliance is a key piece of that puzzle. Compliance allows you to move your goods across borders. **Without it, trading privileges are lost, and the supply chain comes to a halt.**

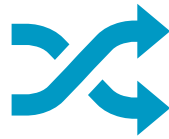
Compliance across the supply chain

You may not realize, but compliance has touchpoints all throughout your supply chain. Here are some common ways that compliance can overlap with other strategic departments.



Product development

Engineering may make changes to a finished good, altering the classification or country of origin. If the compliance department isn't notified, they might incorrectly classify the product and, as a result, pay an incorrect duty rate.



Procurement

If procurement/sourcing changes the sourcing location or supplier without involving the compliance department, they might accidentally lose preferential treatment from an applicable free trade agreement and increase the total landed cost. "Cheaper" sourced products can have significant hidden costs.



Manufacturing

Manufacturing may not know what product information to report to the compliance department, which impacts dutiable value and the total duties paid.



Sales/Distribution

Sales needs to be in communication with the compliance department to make sure that customers are properly screened to identify sanctions or restrictions. Selling and distributing to restricted parties puts the company at risk for non-compliance, penalties, and bad publicity.

If you're making decisions in a vacuum, then you're probably losing money and putting your company at risk.

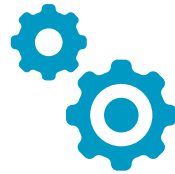
GTM across the supply chain

Like compliance, GTM opportunities span the entire supply chain. The four main areas of opportunity are:



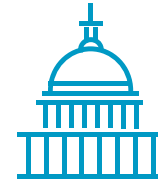
Strategic sourcing

You should analyze global sourcing options in the early stages of product design and development. By leveraging up-to-date trade data, you can capture savings by designing products to achieve the lowest possible duty through available free trade agreements. Through strategic duty planning, you can lower your total landed cost and the cost of goods sold.



Duty optimization

In addition to strategic product design and sourcing, you can use up-to-date trade data to optimize your cross-border movements. An automated solution with integrated trade data can help you analyze factors such as duties, sanctions, and controls to help you determine the most tax-efficient trade lane for your goods.



Trade facilitation

With a GTM solution, you can facilitate the flow of information throughout your supply chain and direct file with government agencies. That leads to lower transaction costs between business and government, as well as smoother border crossings.



Global trade visibility

Gaining visibility across regions is one of the most fundamental challenges for global companies whose data is kept in disparate systems. GTM technology can collect data from multiple countries and sources to provide a single consolidated view of your global trade compliance activity. With that clarity and data insight, you can identify strategic opportunities for your overall supply chain.

Who does this matter to, and why?

The answer is pretty simple: everyone.

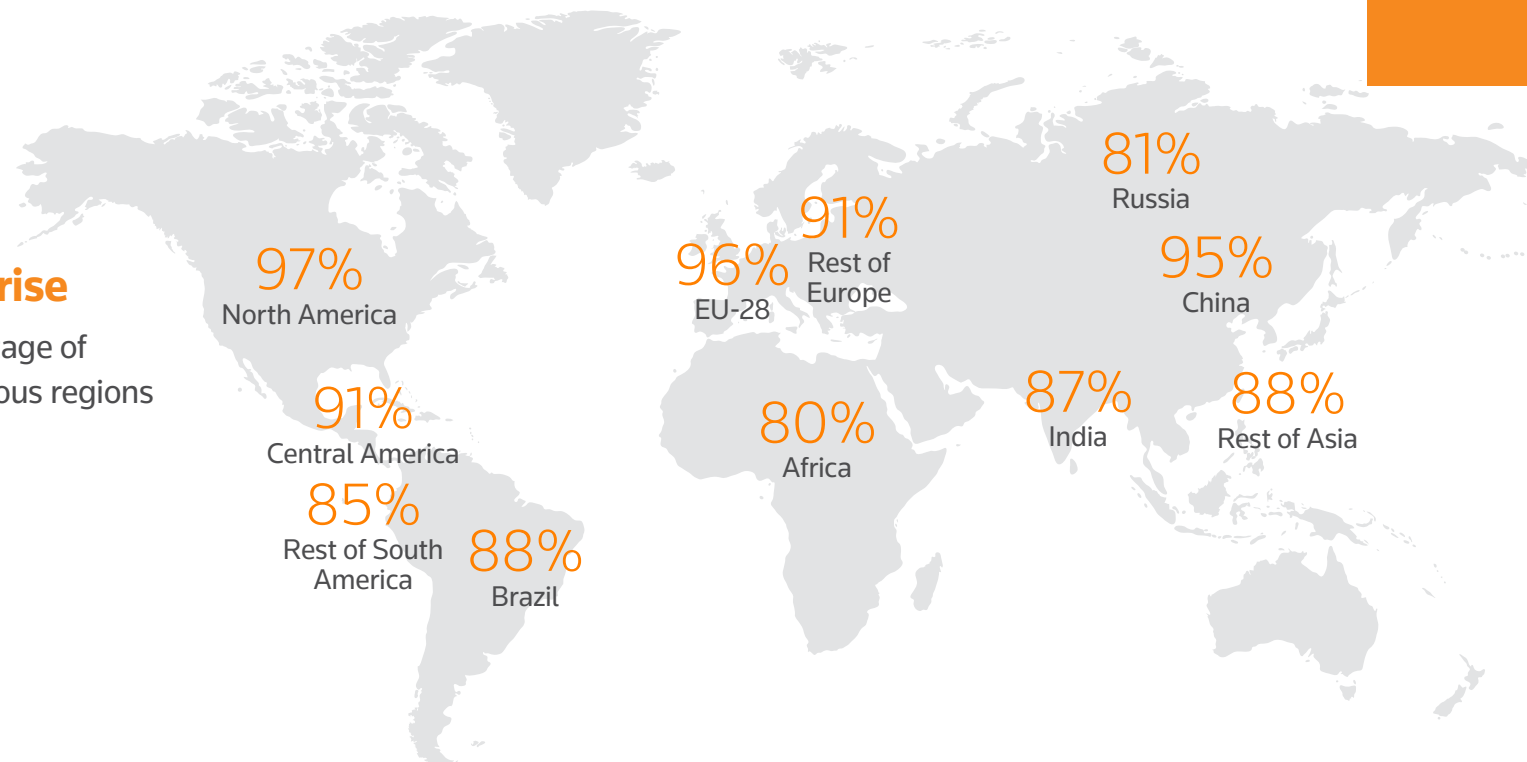
From trade data around the world, we see that the concept of “Made in Country X” is already obsolete. Every year more countries trade in intermediates, not final products.

The increase in international trade doesn’t just affect the compliance department. Your tax, audit, finance, and supply chain departments all have skin in the game. The truth is that your company’s level of compliance and effective duty/tax management has a big effect on the bottom line.

According to recent estimates, about 30% of the value of global exports comes from foreign inputs.²⁴

Global trade on the rise

Here you can see the percentage of importers sourcing from various regions around the world.²



What are the common business benefits?

As companies adopt GTM technology, they are converting manual processes to cloud-based solutions for improved visibility and compliance performance. Best-in-class companies prioritizing automation in their global trade activities experience key advantages over their competitors.

	Best-in-class	vs.	Competitors
Frequency of out-of-stock inventory in the past year ¹⁵	0.8% decrease		0.9% increase
Total landed cost per unit year-over-year ⁴	2.71% decrease		5.03% increase
Orders delivered to customers that are complete and on time ¹⁵	96%		87%
Reduced global trade spend year-over-year ⁴	69%		21%
Orders received from suppliers that are complete and on time ¹⁵	95%		85%
Visibility into all international outbound orders shipped status within hours ⁴	88%		54%



02.

GTM has
its challenges

Challenges in global trade

In this section, we will lay the groundwork for the business case.
Every company involved in global trade faces at least four major challenges.

1

Complex and changing regulations

Trade regulations are ever-changing and vary greatly by country, making import and export compliance difficult.

2

Cost reduction

In a global economy, companies need their supply chain and cross-border transactions to be as tax-efficient as possible.

3

Supply chain risk

Heightened national security has increased the demand for successful supply chain risk management.

4

Operational inefficiency

Without common compliant procedures across the organization, accuracy and productivity suffers.

Challenge #1: Complex and changing regulations

Complexity is inherent — and growing—when it comes to international regulations. Compliance is increasingly complicated by growing multitudes of rules, regulations, trade agreements, and audit requirements. Not to mention that trade regulations can vary dramatically by country.

According to some reports, US business regulations are among the least burdensome in the world. Even so, the World Bank estimates that it takes 9 hours and \$275 per shipment to fill the documentary and border compliance requirements for importing into the US.²⁶

When you consider those numbers on a global scale, it's no wonder that compliance managers are concerned about their ability to keep up with regulatory requirements.

In one survey of global trade specialists, most respondents were very concerned with their ability to interpret and communicate requirements across sites and countries.²³

What are global trade specialists most concerned about?

1. Interpreting and communicating requirements across sites and countries
2. Disparities in requirements between countries
3. Complex and changing requirements with local government agencies
4. Manual processes and disparate systems
5. Lack of automated systems
6. Inefficient processes and systems
7. Visibility to all elements in a trade transaction (external providers, etc.)
8. Inefficient import and export key performance indicators (KPIs) and metrics
9. Detailed recordkeeping and audit trails
10. Delays and fines caused by compliance and documentation errors
11. Lack of historical transactional data

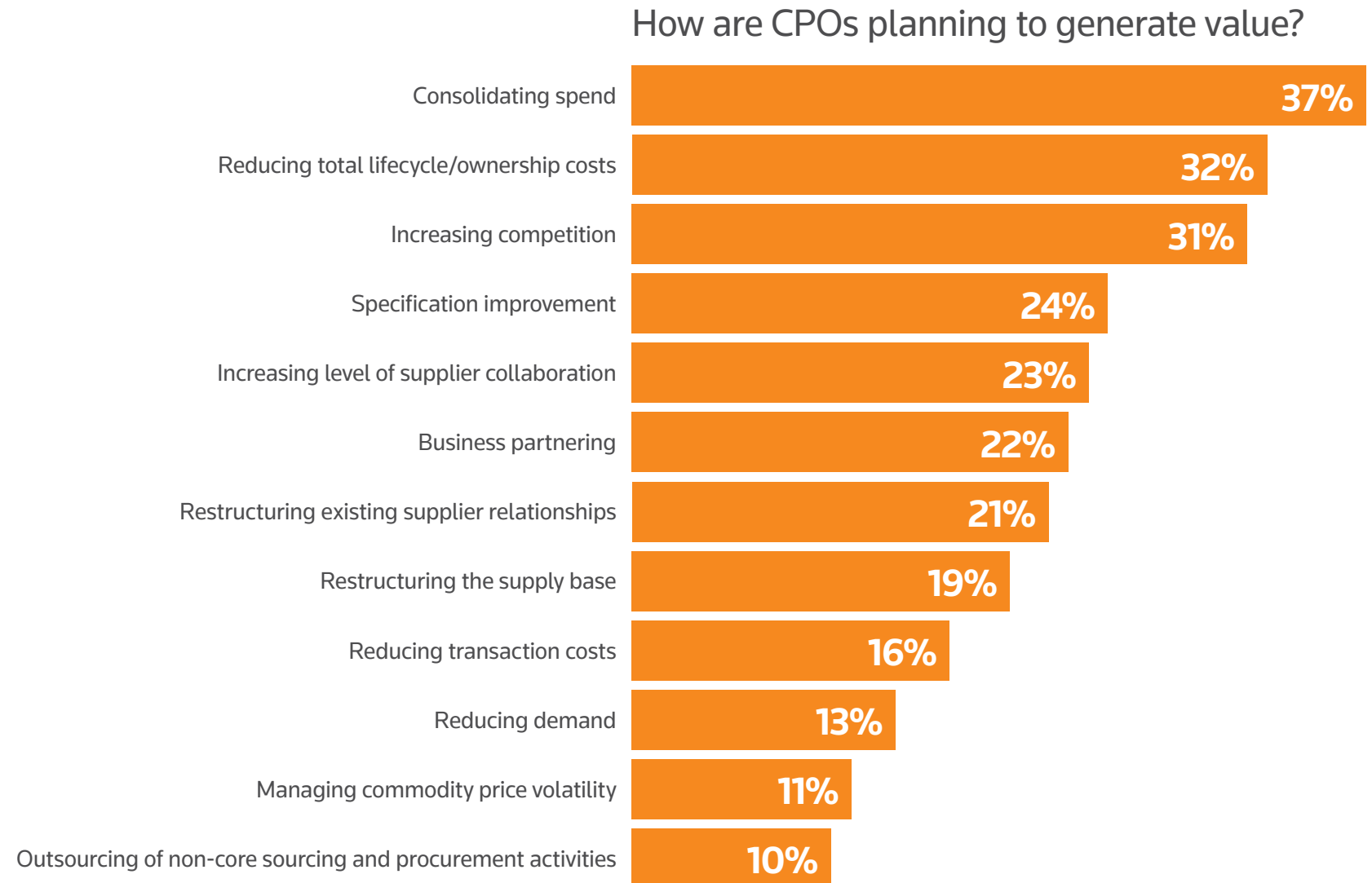
Responses taken from GTM technology users.

Challenge #2: Cost reduction as a key business priority

Cost reduction has always been important for business, but recent studies suggest that it's even more important now. According to a 2018 study on Chief Procurement Officer (CPO) priorities, reducing cost outweighs increasing cash flow for most CPOs.⁹

A total of 78% of CPOs cited cost reduction as a key business strategy in 2019. By contrast, only 40% cited increasing cash flow as a key strategy, similar to rankings for risk management and organic expansion.

When surveyed about their tactics to generate value, the majority of CPOs listed cost reduction strategies, including consolidating spend and reducing total lifecycle and ownership costs.



Leaving money on the table

The same study called out cloud technology and advanced analytics as an emerging opportunity for value and efficiency. Approximately 50% of CPOs reported using analytics for cost optimization and process improvement.⁹

And they're right on the money. GTM technology offers a host of opportunities to increase cost competitiveness via process automation, supply chain digitization, and duty savings. But these savings are often left on the table.

As a key opportunity for savings, free trade agreements (FTAs) are underutilized across the board. In a survey by Thomson Reuters and KPMG International, only 23% of companies are

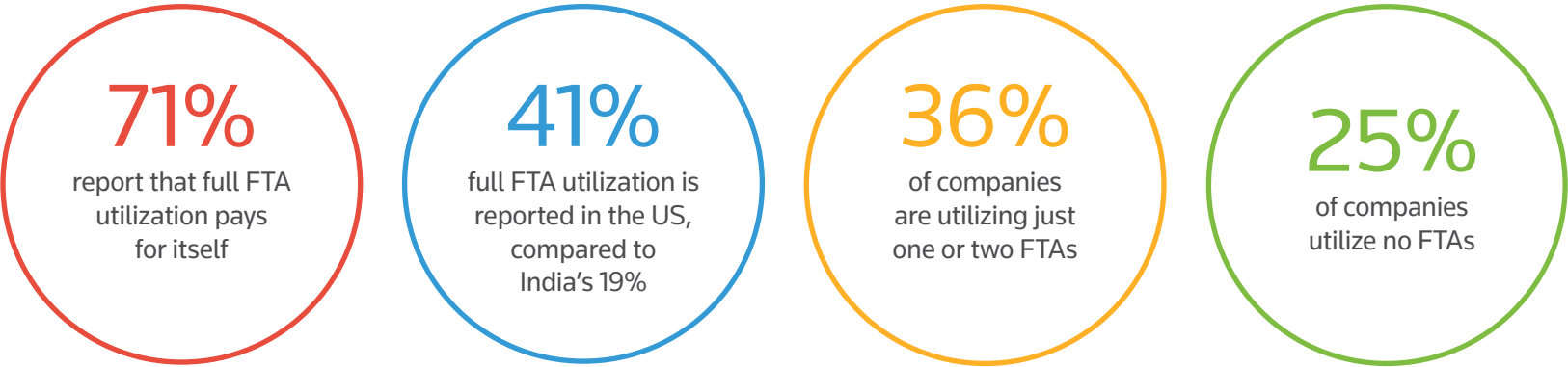
fully utilizing all of the FTAs available to them, despite the fact that nearly all respondents reported favorable results. Globally, just 8% of respondents failed to report any savings in import duties through the use of FTAs.²³

Not participating in FTAs, or cherry-picking just one FTA, means that you are losing out. Plain and simple.

That waste is even more significant when you consider a recent study that found a correlation between high FTA utilization and better performance — specifically, the ability to export more goods without increasing employment costs.¹⁸

In 2017, nearly 40% of US goods exports went to FTA partner countries.⁸ However, many companies choose not to participate because they struggle with identifying opportunities to qualify goods under FTA-specific rules of origin. The good news is that GTM technology can greatly simplify that process.

How FTAs are utilized globally¹⁸



Challenge #3: Risky business and the supply chain

The next challenge is risk management.

Supply chain risk management is becoming a top priority in procurement as organizations lose millions because of supply chain disruption, non-compliance fines, and incidents that cause damage to the organizational brand and reputation.

In one study, the Business Continuity Institute found that 33% of firms responded that their executive leadership exhibited a high level of commitment to managing supply chain risk and increasing supply chain resiliency.⁶

Defining risk in the trade compliance world

Risk is the potential for non-compliance with customs laws. The root of the problem is often improper or missing processes. For example, if your company lacks the proper procedures to correctly claim preferential treatment under an FTA, the penalties for false claims can be well over a quarter of a million dollars.

Risky business and personal liability

We can illustrate the importance of risk management with two court cases.

In 2014, the US Court of Appeals agreed with a previous US Court of International Trade (CIT) case, acknowledging that individuals could be held personally liable for attempting to introduce or enter goods through fraudulent or negligent documents or other information. The original CIT case, US v. Trek Leather Inc. and Harish Shadadpuri, perfectly illustrates the top concerns for risk mitigation.²⁵



Facing fines

Mr. Shadadpuri had a history of failing to declare assists at time of importation. CBP took the position that this was particularly egregious and asked the court for maximum penalties of more than \$2 million.



Causing supply chain delays

Naturally the case does not evaluate how the ruling affected Trek Leather Inc.'s imports or exports. But we know what issue suddenly became their top priority: how to declare assists correctly. That requires new processes to ensure that manufacturing and other departments provide the information that the compliance department needs. That doesn't happen overnight — but delays do.



Damaging the company reputation

The court found Mr. Shadadpuri jointly and severely liable for gross negligence, along with his company. You can imagine how this affected his personal and corporate reputation at large.

Challenge #4: Operational inefficiency and the burden of low-value tasks

We briefly covered the cost burden of customs interaction, but there's another burden on companies today. Companies around the world are looking for productivity improvements that can unburden their resources and personnel from administrative tasks, allowing them to dedicate more time and intellectual capital to higher value, strategic matters.

For non-GTM users, the majority of their time is spent on documentation and licensing.¹⁸ GTM users, on the other hand, spend the majority of their time on classification, which is a risk-prone and difficult task that has wide-ranging effects on your products throughout the supply chain.

For non-GTM users, their top challenge in global trade was the lack of automated systems.¹⁸

Here's the practical difference.

One group is spending their time on routine tasks that could be facilitated by a GTM solution with integrated trade data. The other group is able to spend more time on higher-value, strategic actions that serve the company's broader supply chain goals.

"GTM users may still have room to improve processes and further automate tasks, but they have moved past the initial hurdles that prevent trade management specialists from focusing on the underlying intellectual and strategic issues associated with doing their jobs. This is the real power of automation."¹⁸

Common manual tasks that hinder your compliance performance

As we move into our next section, this is an excellent time to summarize our previous three challenges and show how they all affect operational efficiency.

When you're performing tasks manually, your ability to maintain up-to-date regulations, reduce cost, and manage risk is greatly hindered.

Complex and changing regulations

If you're using Microsoft® Access or Excel to manage your HS codes, then every time a government changes that HS schedule, you need to not only update your records manually but also share that updated information with all your trading partners. Those updates can add up quickly. In a single year, you may see over 100 million updates to trade data around the world.

Cost reduction

If you're considering adding strategies to optimize your duty spend, then the manual labor makes it nearly impossible to incorporate another FTA or to analyze several trade lanes for the best sourcing decision. The amount of time it takes to maintain regulations or gather new trade data may not be feasible for a small compliance team of two. That's where GTM technology, integrated with trade data like FTA rules of origin, can help you do more with less.

Supply chain risk

Supply chain risk is a broad topic, and there are many avenues of managing risk. However, there's one area that is particularly easy to automate – performing denied party screening (DPS) before and at transaction. If you're manually screening your shipments, you're asking for trouble. You may spend hours manually screening and maintaining updates to DPS lists. Automation allows you to screen more efficiently and more often, ensuring that you're not accidentally shipping goods to restricted parties.



03. GTM gets a new business case

Meet the new business case

Just as we covered the four main challenges of global trade, we'll cover the four main benefits of GTM technology. In this section, we will show you how GTM technology can help you:

1

Increase supply chain velocity and prevent delays

With timely, accurate trade data, you can make sure that you have the right data at the right time. That means fewer customs inspections and fewer delays at the border.

2

Reduce cost

Companies can reduce their total duty spend through strategic sourcing and by taking advantage of preferential duty programs.

3

Manage supply chain risk

With the correct automation tools in place, you can decrease supply chain disruptions while safeguarding the company reputation.

4

Achieve productivity gains

Decrease the burden on your company's resources through automation and common compliant procedures.

Benefit #1: Having the right data at the right time

Let's talk about the real impact of trade compliance on your bottom line.

As a whole, companies often leave their employees without the necessary, scalable technology tools they need to handle today's enormous volumes and complexities. Routine trade activities, such as maintaining up-to-date trade regulations, are still being processed manually where technology is better equipped to facilitate.

For example, cancellations happen in nearly 5% of sales due to export license delays.²⁷ And that's not for lack of trying. One study found that non-GTM users are spending most of their time on documentation and licensing.¹⁸ Most of their time, and yet cancellations and delays still occur.

Consider the process of licensing with GTM technology instead.

If you have trade data integrated into your export management solution, then your export departments would have visibility well in advance of a license requirement. This integrated trade data would allow them to:

- Gain visibility into the license requirement
- Apply for the license before the order is in place
- Manage the license on file in the system

GTM technology can take the guesswork out of license and documentation requirements. This is a great example of how trade compliance — when you don't have a complete picture of how to enter a new country or ship to a new customer — can impact the bottom line.

Regulatory risk as a strategic priority

While the everyday concerns of compliance may not reach your CEO — supply chain disruptions do. Companies are often caught unaware when they make new sourcing or procurement decisions. It happens all the time. A decision is made on what to sell, where to buy, and how much. The purchase order is sent, and everything is fine until your shipment is waiting at the dock because you don't have the right documentation or export license.

That supply chain delay has a ripple effect downstream. Now your stores aren't stocked, sales aren't coming in, and your CEO notices.

Even the narrow details have a big picture impact.

According to recent studies, CEOs around the world recognize the need to manage regulatory compliance.¹⁷



Why best-in-class companies use integrated trade data solutions

By adopting GTM technology with integrated trade data, companies can:

Address new regulations in a cost-effective manner

According to a 2016 study, 77% of best-in-class automated companies have online access to trade-related regulations.⁴ The reason is simple. It saves you time because you don't have to manually research regulations, and it eliminates the risk of using an outdated tariff schedule by accident. It's no surprise that companies who prioritize automation for their global trade activities see a 2.69% decrease in dollar value of fines due to trade compliance errors.¹³

Reduce over or underpaid duties

70% of best-in-class companies share or centralize their trade compliance data at the enterprise level.⁴ Why? That shared and accurate data leads to more informed decisions about compliance and the supply chain. Sourcing is one example. When you have the correct data on import and export controls, country of origin rules, and available duty deferral programs, you can improve the overall cost of sourcing from a particular location. With that insight, best-in-class companies are able to save a yearly average of 12.8% from sourcing decisions.¹⁴

Avoid risk of penalties

The majority (58%) of best-in-class companies automate their denied party screening before and at transaction.⁴ The result is fewer government fines. For example, one study found that companies automating their denied party screening are 35% more likely to maintain or decrease government fines for non-compliance.¹

Keep the supply chain moving

Complete and accurate data makes a world of difference for supply chain speed. Automated companies actually decrease the number of supply chain disruptions due to trade compliance errors by 4.29%, whereas mostly manual companies see their disruptions increase by 1.03%.¹

Saving with classification

One Thomson Reuters client discovered a classification error that, once corrected, saved the company more than \$100,000.

Case in point: Retail client saves \$1 million annually with the GSP program

A large Thomson Reuters retail client saves more than \$1 million every year by participating in the Generalized System of Preferences (GSP) program.

The client uses GTM technology to house their product information in one centralized location — a Global Classification database. Operating from a “single version of the truth” rather than various documents or excel versions, allows for greater accuracy and also decreases the likelihood of penalties for inaccurate data or non-supportable FTA claims.

Furthermore, you have the ability to electronically communicate all your classification data (including GSP eligibility) with your broker. All this makes it easier for your broker to have complete and accurate eligibility information to file at the time of entry.

What is GSP?

GSP is the largest and oldest US trade preference program, eliminating duties for over 3,500 products from designated beneficiary countries.²¹ Given the relatively low threshold for qualification (35% domestic content is required), many shippers assume that they’re within range. Best practice, of course, is to always prove your due diligence.

Using GTM technology to close the loop

A combination of GTM functionality can ensure that your key stakeholders have the right data at the right time.

With FTA Management, you can automate the supplier solicitation process to confirm eligibility status upfront, thereby avoiding potential delays or lost savings downstream.



With Global Classification, you can store product data in our centralized database that allows for greater accuracy and easier sharing among supply chain partners.

With Entry Verification, you can automate the post-entry process to ensure that eligibility status was correctly and consistently claimed by your broker at the time of entry.

Benefit #2: Cost reduction and the tax-efficient supply chain

As we have discussed, GTM can do more than *avoid* fines and penalties — it can save you money. An effective GTM strategy can help you design a tax-efficient supply chain.

What is a tax-efficient supply chain?

A tax-efficient supply chain is exactly what it says: a supply chain designed with duties and taxes in mind. The goal is to optimize the supply chain with a holistic view of duties and taxes and to perform what-if scenarios that determine overall cost, supplier sourcing, manufacturing strategies, and more.¹⁹

Simply put, where you're sourcing parts and where you're assembling products does matter. It can be the difference of millions of dollars, and it can even cost you the competitive edge.

The tax-efficient supply chain is a current priority for many companies. More than 85% of companies recognize the importance of a strategic sourcing optimization process to manage trade and supply chain costs.¹³ The ROI is there. Every year best-in-class companies save an average of 12.8% from sourcing decisions compared to the 5.6% savings of their peers.¹⁴

Supply chain design: The devil is in the details

In order to design a tax-efficient supply chain, you need the right information at the start.

When analyzing possible trade lanes, you should incorporate the impact of import and export controls, applicable country of origin rules, documentation requirements, and duty savings opportunities like free trade agreements or foreign-trade zones.

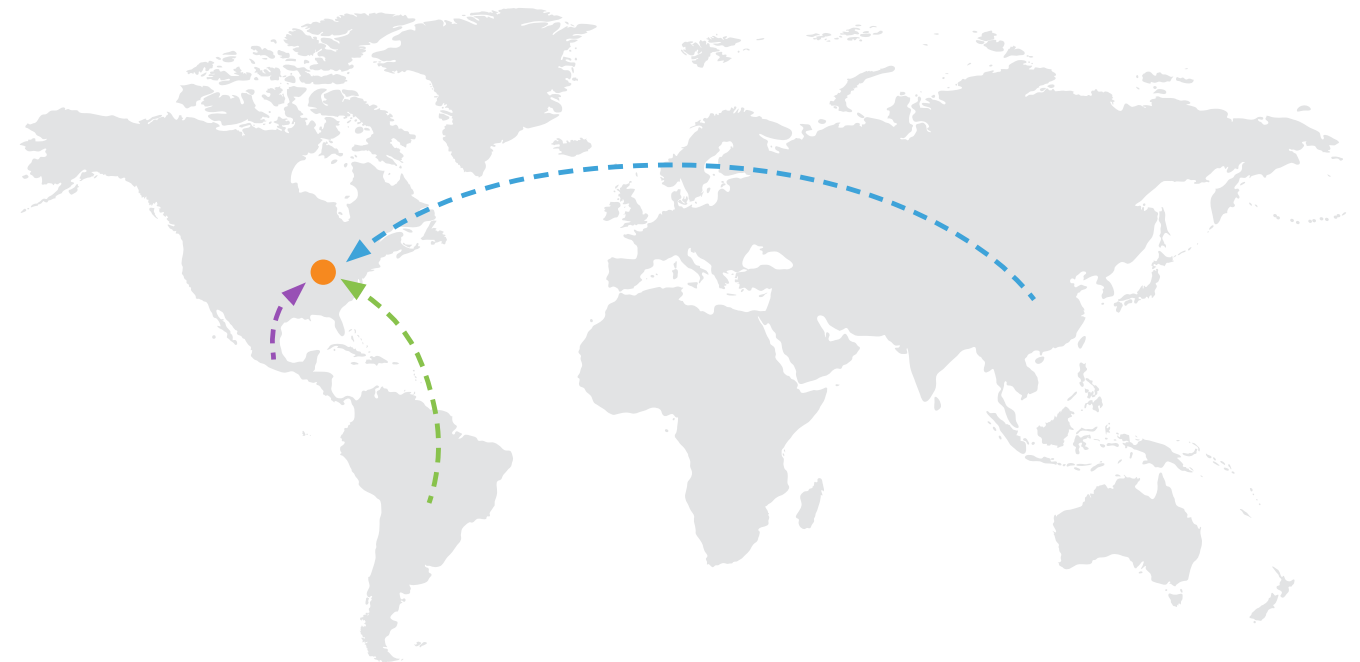
All of these details can affect your ability to freely move goods in or out of origin and destination, as well as the overall cost of sourcing from a particular location.

Here's a simple illustration of how duties and taxes can affect supply chain design decisions. Here are three trade lane scenarios for "flexible magnets" (HS 8505191000) coming into the United States. Trade lanes 1 and 3 both offer opportunities for a 0% preferential duty rate through either GSP or NAFTA. On the other hand, trade lane 2 offers no preferential duty rate and may be affected by sanctions.

Upstream sourcing decisions always have a ripple effect downstream.

You may choose the cheaper sourced product at the risk of altering your domestic content percentage and losing FTA eligibility status. If you lose preferential treatment, that increases the cost of your goods, which could put you at a competitive disadvantage. That's why it is critical to consider the details when creating the big picture for your supply chain.

Designing a tax-efficient supply chain



Trade Lane 1: BR - US

Main duty rate 4.90%
Preferential duty rate 0% (GSP)
No sanctions apply
No ADD/CVD rate applies
No other duty
5 HS specific controls may apply
Potential of 24 required import documents
Corruption Perception Index 35%

Trade Lane 2: CN - US

Main duty rate 4.90%
No preferential duty rate
Sanctions may apply
Potential ADD/CVD rates
Other duty 25%
5 HS specific controls may apply
Potential of 24 required import documents
Corruption Perception Index 39%

Trade Lane 3: MX - US

Main duty rate 4.90%
Preferential duty rate 0% (NAFTA)
No sanctions apply
No ADD/CVD rate applies
No other duty
5 HS specific controls may apply
Potential of 24 required import documents
Corruption Perception Index 28%

Case in point: Nearly \$4 million saved with duty deferral

In a feasibility study, a large retail client found that they would save nearly \$4 million in the first year by locating an FTZ in the US. Those \$3 million savings come from broker fees, MPF savings, and the deferment of duties, which results in improved cash flow and working capital.

Even when considering the setup costs of the zone, as well as the software, the net savings still amount to nearly \$4 million in the first year and over \$1 million in the years after. In 10 years, you would see net savings of more than \$13 million.

FTZ Feasibility Analysis			
Summary of Savings with estimated costs included		1st Year	On-Going
Estimated FTZ Savings		\$1,309,965.39	\$1,309,965.39
Estimated Duty Deferral		\$2,618,394.40	\$0.00
Estimated Cost of Capital Savings		\$0.00	\$65,459.86
Total Estimated Costs/Expenses		\$271,500.00	\$192,500.00
Estimated Net FTZ Benefit vs. non FTZ Environment:		\$3,656,859.79	\$1,182,925.25
Estimated Broker Fee Savings		1st Year	On-going
Estimated Annual Broker Fee	\$300,000.00	\$300,000.00	\$300,000.00
Estimated Annual Broker Fee w/FTZ Weekly Entry (based on current fee + 10%)	\$5,917.24	\$5,917.24	\$5,917.24
Broker Fee Savings		\$294,082.76	\$294,082.76
Estimated MPF Savings		1st Year	On-going
Estimated Annual MPF	\$694,908.00	\$694,908.00	\$694,908.00
Estimated Annual MPF w/FTZ Weekly Entry	\$25,220.00	\$25,220.00	\$25,220.00
MPF Savings		\$669,688.00	\$669,688.00
Estimated Duty Deferral		1st Year	On-going
Average Inventory x Average Duty Rate	\$2,618,394.40	\$2,618,394.40	
Cost of Capital	2.5%		\$65,459.86
Duty Deferral Savings		\$2,618,394.40	\$65,459.86
Estimated Duty Reduction (Inverted Tariff Opportunities)*		1st Year	On-going
Difference in Duty Rates x Import Value	\$0.00	\$0.00	\$0.00
Potential Duty Reduction		\$ -	\$ -
* FTZ Board must approve inverted tariff in the FTZ scope of authority			
Estimated Duty Savings on Re-exports		1st Year	On-going
Re-export Value x Average Duty Rate	\$278,116.38	\$278,116.38	\$278,116.38
Duty Savings on Re-exports		\$278,116.38	\$278,116.38
Estimated Duty Savings on Scrap		1st Year	On-going
Import Value x Scrap Percentage x Avg Duty Rate	\$68,078.25	\$68,078.25	\$68,078.25
Duty Savings on Scrap		\$68,078.25	\$68,078.25

Many shippers are unable to take advantage of FTZs due to the manual complexity of regulations and reporting — which are tasks that GTM technology can facilitate. That's good news because FTZ savings can be significant. More than 50% of companies report decreases in import fees after effectively using FTZs.¹³

Benefit #3: Managing risk in the supply chain

When we talk about risk, what are you actually risking?

We talked earlier about how risk in trade compliance typically refers to the likelihood of non-compliance — which can, of course, result in bigger picture concerns such as fines, penalties, and supply chain disruptions.

And when we talk about the risk of supply chain disruptions, what are the real consequences?

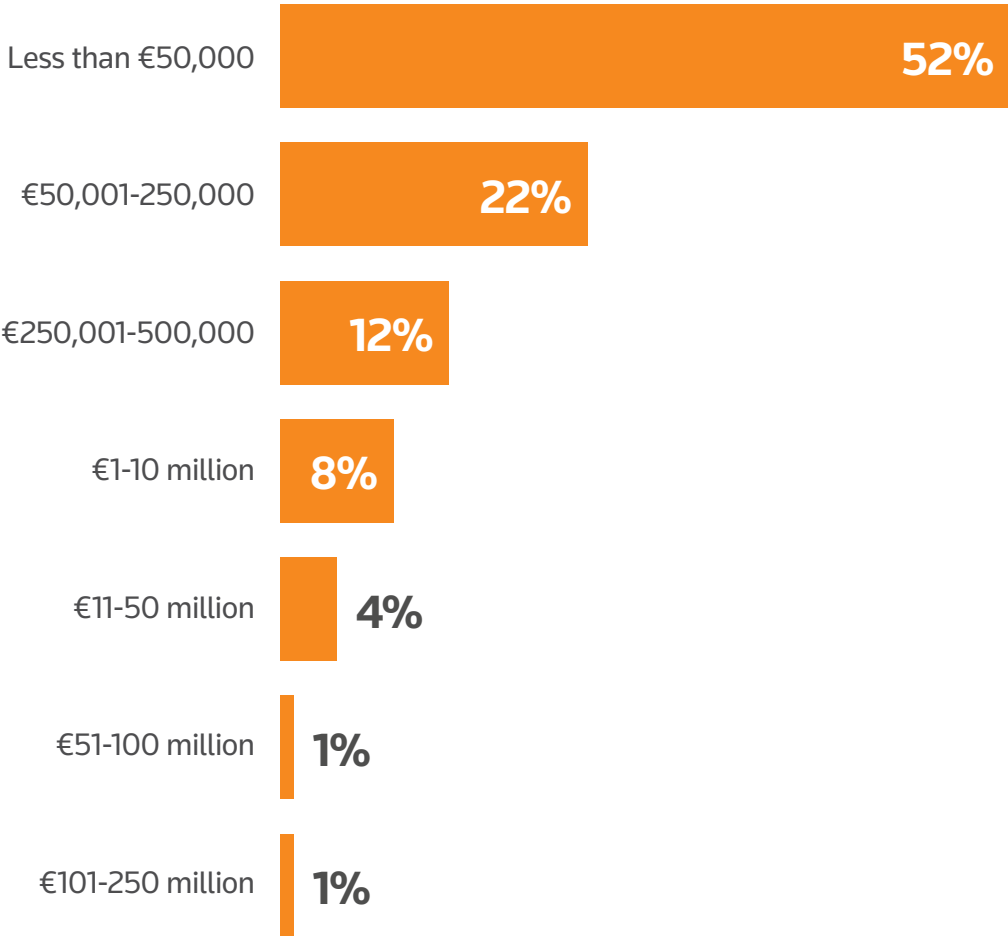
In one study, the Business Continuity Institute totaled the approximate financial cost of their respondents' supply chain incidents within the last 12 months. Nearly 15% reported that the financial impact was more than one million euros.⁶

Companies were also polled about what they believed were significant risks in 2019. Almost half (44%) of respondents cited new laws and regulations as a top concern for their business, only below cyberattacks and data breaches (55%) and unplanned IT or telecommunications outages (54%).

Think supply chain disruptions aren't a concern for your business? There's a 28% chance you're right. But 56% of those respondents reported at least one instance of supply chain disruption in the last year, with 16% reporting that they weren't sure.

The bad news is that you will probably experience a supply chain disruption in the coming year. But there's good news. Your second highest risk — new laws and regulations — can be easily managed with GTM technology.

The financial impact of supply chain incidents



Assessing your level of exposure

To manage supply chain risk in your company, you should develop processes to identify, prioritize, and mitigate risk. Like most processes, it begins with asking the right questions.



Risk identification

What can go wrong?



Risk assessment

What is the likelihood that an issue will occur?

What is the magnitude of the consequences and overall impact?

How quickly can the issue be discovered, and what is the time to recovery?



Risk mitigation and management

What options are available to mitigate the risks?

What are the costs and benefits of each option?

Case in point: Civil penalties for consumer product risk reach all-time high

The focus on product safety has only increased in recent years, and data from the US Consumer Product Safety Commission (CPSC) reflects that.

Beyond fines: Implementing a compliance program

CPSC settlements now require manufacturer-implemented compliance programs as well. That means written standards and policies, effective compliance training, recordkeeping requirements, and more. As civil penalties and compliance program requirements continue to rise, it's important for manufacturers to preemptively make sure they have effective strategies in place for monitoring and reporting potential hazards.

In 2009, the average civil penalty settlement was \$275,763. Seven years later in 2016, the average settlement was a record-breaking \$6.6 million, and the year's total reached \$33 million. Since then, penalties have remained just under \$30 million per year.²²

Did you know

According to the Semi-Annual Global Cargo Theft Intelligence Report, there are 11 incidents of cargo theft per day. The median theft value, depending on the region, ranges from South America's \$77,940 to Asia's \$14,582.⁵ Today's GTM technology can help secure your supply chain by identifying potential risks, collecting information on your suppliers' facilities and loading areas, and issuing corrective actions.

Benefit #4: Operational efficiency: How to do more with less

Across the board, studies show that companies are turning to automated solutions to lower cost and increase productivity. This two-pronged benefit — getting more efficient while becoming more accurate — is what makes automation so compelling for the global trade industry.

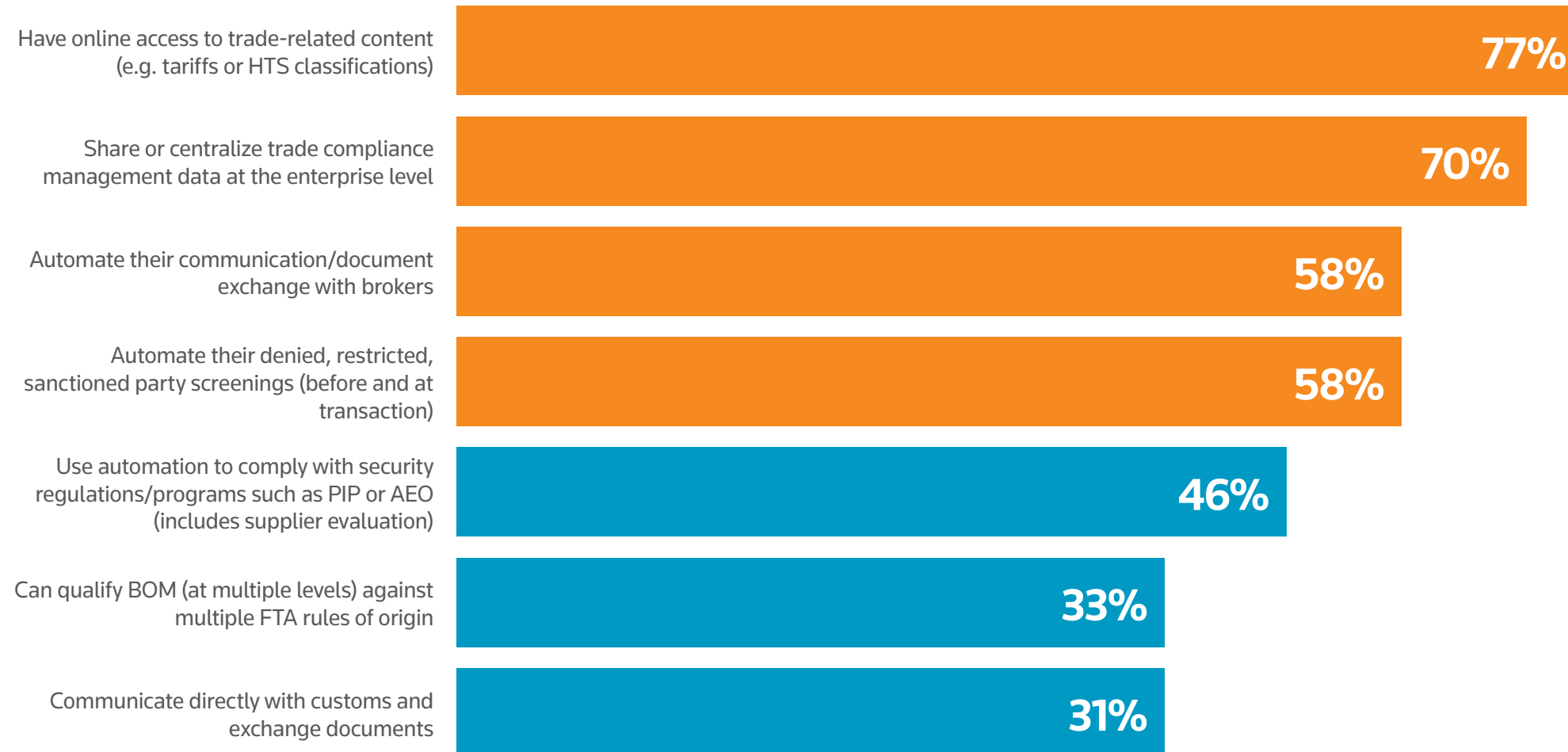
The return on automation is everywhere. By standardizing workflows and centralizing data, you eliminate errors and the wasted time spent confirming decisions and locating missing documents.

For that very reason, companies who use a high level of automation see a 15.88% improvement in staff productivity.¹³ And that's to say nothing of accuracy. In previous sections, we covered that automation leaders see a 2.69% decrease in dollar value of fines due to trade compliance errors.

Thirty-three percent of companies believe that it is a strategic GTM priority to improve productivity in the trade compliance department by streamlining processes and implementing new technology solutions.³

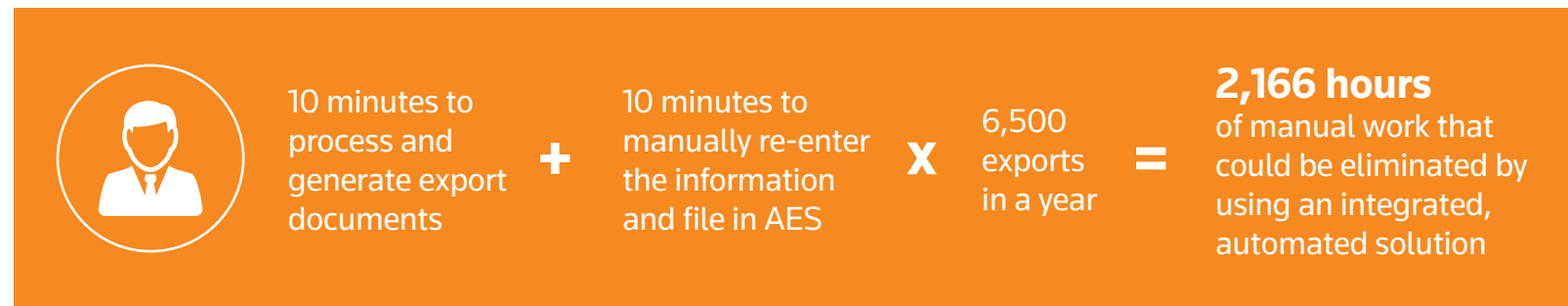
What do best-in-class companies automate?

To name a few,⁴



Case in point: Distributor cuts nearly 2,000 hours of manual work with automation

One Thomson Reuters client, a large heating and plumbing distributor, processed their export shipments using a non-integrated system. On average the compliance team spent 10 minutes processing and generating export documents, then another 10 minutes to re-enter the information in order to file in AES.



After an onsite meeting, the client realized that by electronically sending the export shipments from the ERP system to the GTM platform, the time spent on processing would decrease to just 2 minutes.





04.

Key takeaways
and closing

Preparing your business case

Now that we have covered the benefits of GTM technology, it's time to draft your own business case.

1

Identify efficiency gaps and areas of improvement

Think about your current state and your company's long-term goals.¹² How could technology improve your day-to-day activities, and how does that support your overall corporate goals? Focus on areas like growth, cost management, compliance, and organizational structure.

2

Develop the business case

Determine the financial and intangible benefits, along with the payback period of the investment. Be as specific and realistic as you can. Make sure to quantify when possible, especially concerning lead times, broker fees, number of customs inquiries, and changes in duty payments. If you can, research case studies of companies that have faced similar challenges.

3

Secure corporate buy-in

Before presenting to executive management, create a focused and concise presentation. Make sure to include how the investment decision would affect other departments such as logistics, procurement, finance, and IT. If you can show a holistic advantage to the company at large, you will have a much better chance of succeeding.

Key takeaways and closing

GTM has come a long way — from just a back-office function to a key player in your overall supply chain strategy.

Today companies use GTM technology to make more informed sourcing decisions, to avoid supply chain delays and disruptions, and to spend more time on strategic matters that provide higher value. In fact, 70% of GTM users report a return on investment within 13 months on average.⁷

The business value of GTM technology only continues to grow, and we encourage you to research providers who will partner with you and help you succeed in the global market.

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