American Shipper

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Import Operations and Compliance Benchmark Study: The Secrets of Import Success

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Published May 2012

Executive Summary

American Shipper and BPE Global designed this year's study to provide readers with a deeper understanding of the trends and issues impacting U.S. import operations and compliance managers.

In March 2012, 336 qualified respondents participated in a 35-question benchmarking survey covering organizational structure, training, responsibilities, operations processes, costs, technology and other key areas related to U.S. imports.

The following study results are shown in an aggregate form and segmented to draw meaningful comparisons within the industry and ultimately call out actionable best practices.

The nature of the study concerns imports into the United States. While there are some overlaps among imports, regulations, compliance and other trade issues, always look at countries individually when considering origin and destination pairs.

Winners

American Shipper research studies aim to highlight actionable best practices by comparing top performers—or "winners"—against the average survey respondent. For this study, winners are only shippers that had 95 percent accuracy in customs filings; 95 percent or better ISF filings for both accuracy and timeliness; and saw costs of $75 or less per filing.

Structure

Survey respondents, representing every major industry involved in importing goods, typically have their customs compliance and operations teams report to a supply chain function, along the same lines of last year's survey. Winners highlight this organizational structure and it is reinforced by the remaining shippers involved in the study.

The study suggests that, despite guidance issued by U.S. Customs and Border Protection, there is little bias when housing these two units under the same division.

Technology

Nearly two-thirds of importers surveyed classified their operation as manual or spreadsheet based. Winners are only slightly less likely to rely on manual processes, but are more likely to use a system provided by a 3PL or software vendor.

In the area of trade compliance, most shippers (68 percent) and even winners (61 percent) rely solely on manual processes to manage their trade compliance. An overwhelming majority (88 percent) of small shippers also rely on manual processes. However, alarmingly, almost three-quarters of midsized shippers and more than half of large shippers also rely on manual processes to manage their trade compliance.

In general, companies are six-times more likely to rely on their spreadsheets than to use an automated system.

Spending does not ensure success. However, with respect to compliance technology, winners actually spend slightly less. Winners also typically get less functionality from technology compared to their peers, having a sharper focus on document generation and customs entry management.

Few shippers outsource compliance leaving an opportunity for companies to leverage several forms of systems-based software, whether homegrown, installed, or delivered as a service.

Filing & Accuracy

Nearly three-quarters of the respondents indicate that they outsource entry filing, though there are slightly less outsourced filers than the 2011 data showed. All in all, it appears that most companies outsource entry filings and do so with a high rate of accuracy.

Roughly 90 percent of large shippers, 85 percent of midsized shippers, and 75 percent of small shippers report an error rate of 10 percent or less in their entry filings, which is very good news. No company reported an error rate greater than 30 percent.

Perhaps the most startling find was that roughly 15 percent of small shippers and 5 percent of midsized and large shippers do not audit their customs filings at all. This exposes them to significant risk in terms of fines and delays around classification, origin, and valuation errors from statements made by their customs brokers or agents, all of which can directly impact their bottom line.

C-TPAT Participation

The data suggests a correlation between an importer's security programs and their success in terms of operations and compliance. This may not only be attributed to the "tightening up" of controls in a company, but also because C-TPAT certification mandates partnerships between a compliance/operations function and other aspects such as facilities, security, human resources, and shipping in an organization. Winners are considerably more likely to be involved at all levels of the C-TPAT program.

Broker's Role in Classification

It is a best practice for a company to assume all responsibility for classification rather than outsourcing to a customs broker or allowing brokers to change classifications provided to them by an importing country. While most companies assume responsibility for classification, about 15 percent of small shippers, 10 percent of midsized shippers, and 8 percent of large shippers outsource their classifications completely to a broker or allow broker interventions, opening them up to significant risk.

Duty Avoidance Programs

Free trade agreements have continued to see significant use among all shippers. American-goods-returned programs were most likely to be leveraged by large shippers, while midsized shippers also turned to duty drawback and in-bond programs.

Small shippers indicated they are just as likely to use a free trade agreement as they are not to participate in duty avoidance programs. It is a wise move to either focus on a single area of avoidance programs or to not participate, as many programs have a high administrative burden associated with their use.

Productivity

One area where winners shined was in productivity, processing 15 percent more entries per full-time equivalent employee (FTE) per year than their closest peers in the retail segment, while using fewer brokers than their peers.

Companies that leverage systems for import operations, compliance or both functions source twice as many shipments from twice as many countries. However, they rely on half as many FTEs to get the job done, showing how much of the heavy lifting technology is doing. Systems-based importers are nearly five-times more productive than their peers.

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Section I: Introduction

STUDY BACKGROUND

American Shipper and BPE Global designed this year's study to provide readers with a deeper understanding of the trends and issues impacting U.S. import operations and compliance managers.

In March 2012, 336 qualified respondents participated in a 35-question benchmarking survey covering organizational structure, training, responsibilities, operations processes, costs, technology and more.

The following study results are shown in an aggregate form and segmented to draw meaningful comparisons within the industry and ultimately call out actionable best practices.

A key item of note is that this study exclusively looks at issues related to importing goods into the United States. while many findings in this study are global in nature, trade issues, regulations, and compliance vary from country to country and these issues should be looked at individually when considering other origin and destination pairs.

TERMINOLOGY

This study makes use of several industry terms and acronyms that you may or may not be familiar with. These definitions and explanations should be kept in mind when going over the results and trends that follow.

Full Time Equivalent (FTE)—The number of working hours that represents one full-time employee during a fixed time period, such as one month or one year.

Global Trade Management (GTM)—This is the practice of streamlining the entire life-cycle of global trade across order, logistics, compliance, and settlement activities to significantly improve operating efficiencies and cash flow, while reducing risk. GTM includes, but is not limited to, trade compliance, visibility to shipments, total landed cost, trade security, and trade finance.

Importer Security Filing (ISF)—Importers or their agents (e.g., licensed customs broker) must electronically submit advanced cargo information to the U.S. Customs and Border Protection in the form of an ISF. This only applies to cargo arriving in the United States by ocean vessel. The ISF covers shipments intended to be entered into the United States including those destined to a Foreign Trade Zone.

Importers, or their agents, must provide eight data elements no later than 24 hours before the cargo is laden aboard a vessel destined to the United States. Two additional data elements must be submitted as early as possible, but no later than 24 hours prior to the ship's arrival at a U.S. port.

LSP/3PL—Logistics service providers (LSPs) are companies that charge a fee for supply chain services, including but not limited to transportation, distribution, warehousing, and customs services. A third-party logistics provider (3PL) is a non-asset-based LSP.

Systems-Based vs. Manual—Many of the data points represented in these pages show the differences between companies that use a systems-based approach for import management versus those that manually handle this process.

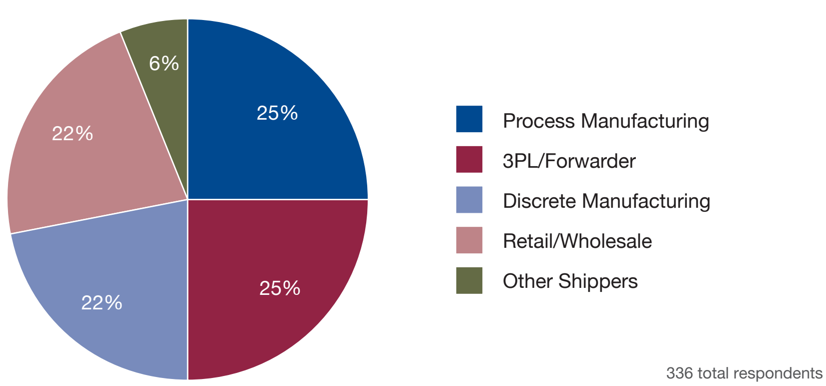
For this report, "systems-based" and "automated" designate companies that use at least one application to facilitate their import functions. These do not mean that human interactions have been entirely or even mostly eliminated.

Likewise, "manual" does not mean these firms do not use e-mail, fax and other technologies outside of import functions. There is an assumption that basic computing is ubiquitous in the logistics management field.

DEMOGRAPHICS

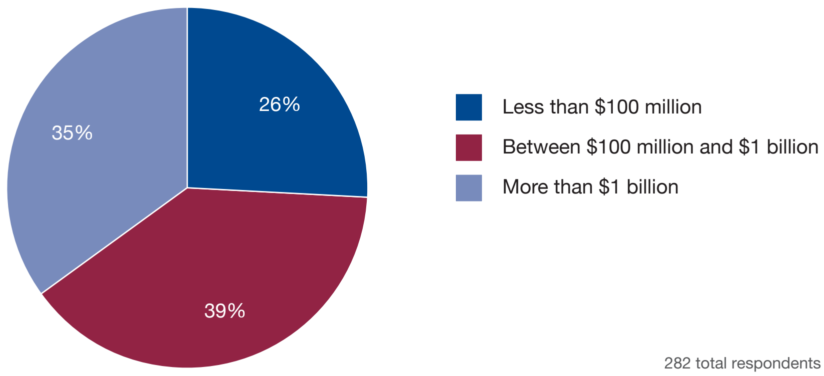
Survey respondents represent every major industry involved in importing goods, including discrete and process manufacturing, retail/wholesale, and 3PL/intermediary.

FIGURE 1: Industry Segments



This year's participants represent companies of all sizes, but medium-sized enterprises of between $100 million and $1 billion in annual sales are the most represented. Companies with annual sales of $1 billion or more come in at a very close second.

FIGURE 2: Company Size



WINNERS DEFINED

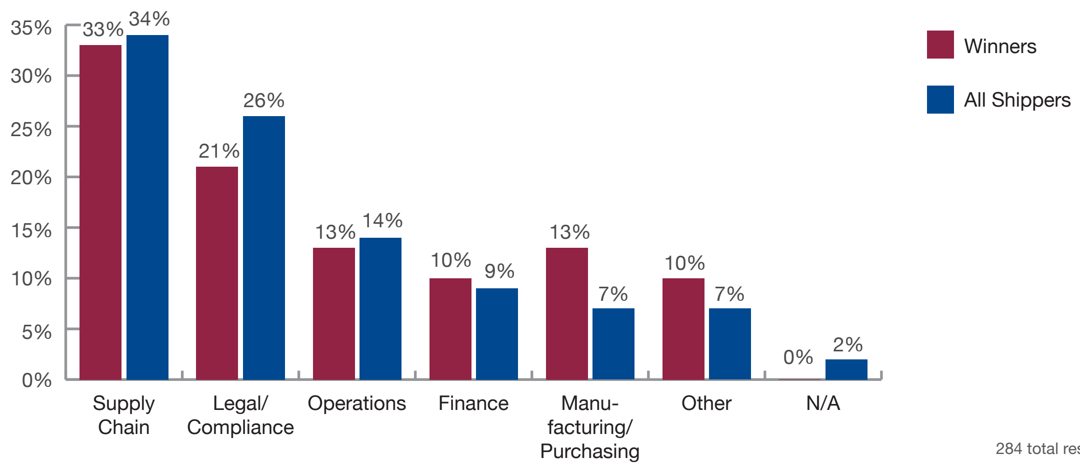
Each *American Shipper* benchmarking study seeks to highlight best practices by parsing companies who deliver excellent results—"Winners"—from the average and subpar performers. In the case of this study, winners are shippers that meet three criteria:

- Importer Security Filings have a 95% rate of accuracy and timeliness.
- Cost per Customs filing is less than $75.
- Customs filings are 95 percent accurate or better based on audit results.

Section II: Structure, Training & Policies

A particularly interesting find from this year's survey is the reporting line for the customs compliance team. Customs compliance overwhelmingly reports to a supply chain function as do operations teams.

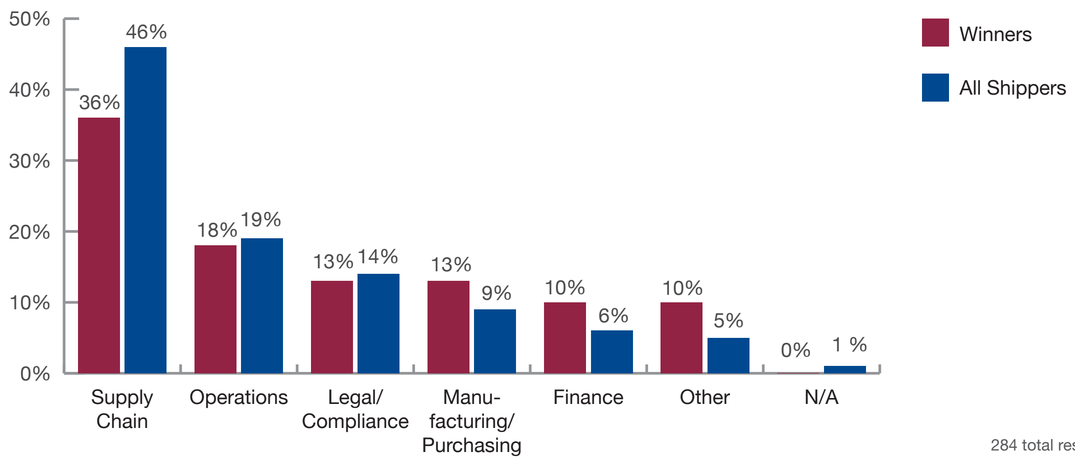
FIGURE 3: Compliance Reports To



284 total respondents

This reporting structure is seen in the winners segment and is reinforced by the remaining shippers participating in this study. Reporting into legal or corporate compliance is a distant second for both compliance and operations teams.

FIGURE 4: Operations Reports To



284 total respondents

These findings are directly at odds with guidance given by Customs authorities and customs professionals when advising companies on structuring their compliance departments. On paper, placing the customs compliance function parallel to an operations team in the middle of a supply chain organization appears to create a conflict of interests as these teams are focused on efficiency in their activities, not compliance.

Supply chain and operations may share similar goals, but both teams are laser-focused on efficiency and are incented to meet shipment revenue goals. Accordingly, the concern by pure compliance-minded advisers is that attention to cross-border transactions and ensuring correct classification, valuation, documentation, declarations, and all things related to compliance may end up taking a back seat to achieving a quick turnaround time and meeting demand. Therefore, to ensure that compliance remains an unbiased function, Customs authorities and customs professionals advise placing the customs compliance team away from supply chain and operations and instead in a finance, legal, or corporate compliance division.

However, customs compliance positioned in the supply chain function may not actually result in gross non-compliance as previously thought. The importers identified as winners tend to place and retain customs compliance in the supply chain function. This suggests that though surrounded by overarching goals for efficiency, customs compliance can remain unbiased and their guidance recognized and observed. With such a structure in place, a company may be rewarded with improved performance in supply chain efficiency. Under this structure the entire team, whether dedicated to supply chain, operations, or compliance, is privy to how the company moves product and is closer to the local country teams.

This shared understanding and proximity to in-country activity may lend itself to mitigating risk before any issue is escalated to Legal and Finance—departments removed from the movement of goods and ones that are recommended to host trade compliance. With that said, it is important that all stakeholders in a customs compliance program are abreast of developments in the compliance program. Accordingly, even if a customs compliance program is hosted by an operations team, regular updates on the compliance program must be shared with stakeholders such as legal or finance.

There is the potential that by having customs compliance report into the supply chain or operations functions may heighten funding and support for GTM automation. Additionally, this reporting structure may also impact the "strategic" posture that the customs compliance team may be able to take within the organization. The customs compliance team being laser-focused on efficiency may risk the company's ability to focus on more strategic opportunities such as total landed cost, tariff engineering and preferential trade program participation.

FIGURE 5: Who's Responsible for Import Policies?

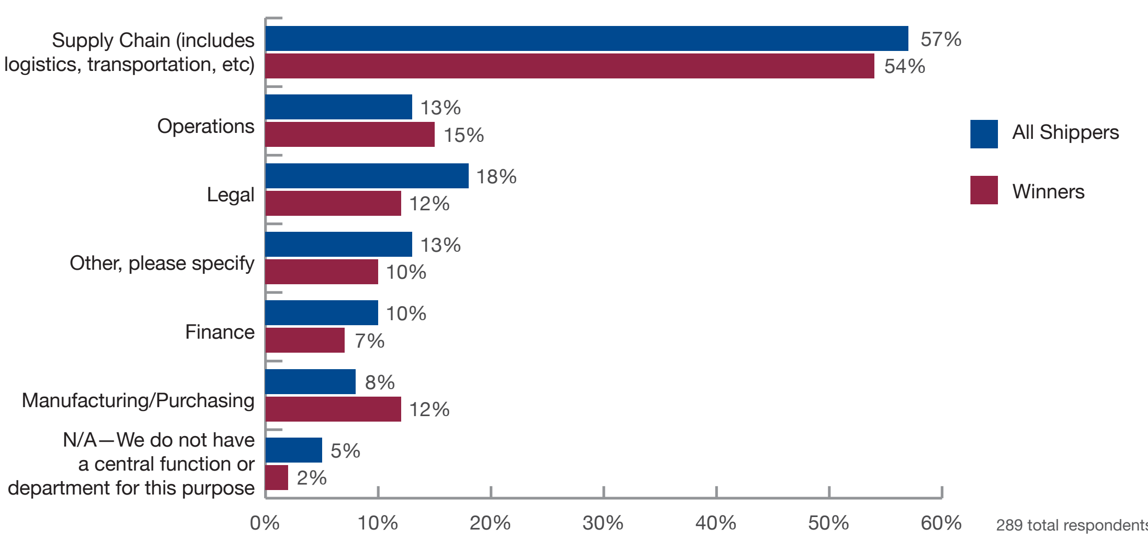
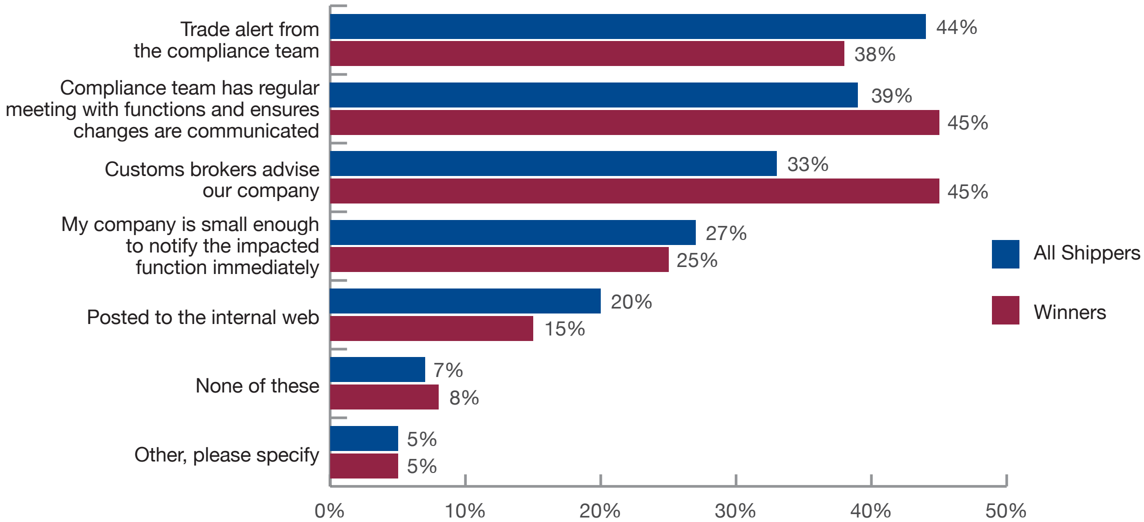


FIGURE 6: How is Policy Communicated?



270 total respondents

In accordance with the reporting structure of customs compliance, Figure 5 shows that supply chain is responsible for setting up and maintaining customs policies. Communication of customs policy is largely performed by the compliance teams within supply chain or passed on via the partnership with customs brokers that are presumably managed by the operations team positioned within the supply chain, as illustrated by Figure Six.

This study suggests that trade compliance does not yet have complete visibility at the corporate level. Figures 7 and 8 show that among all types of shippers, trade-related training is merely encouraged, not required. Only 10 percent of large shippers mandate trade-related training for employees upon their hire, with the number dwindling down to about half that figure for medium-sized shippers, and non-existent for small shippers. Few companies encourage trade-related training or even require a refresher course on topics previously delivered as employees continue their careers. Even looking at the findings based on companies employing a systems-based approach, the same results are seen. Of concern are the small shippers who appear to rely mostly on manual processes because they generally do not offer trade-related training to their employees.

FIGURE 7: Customs Related Training Programs—by Company Size

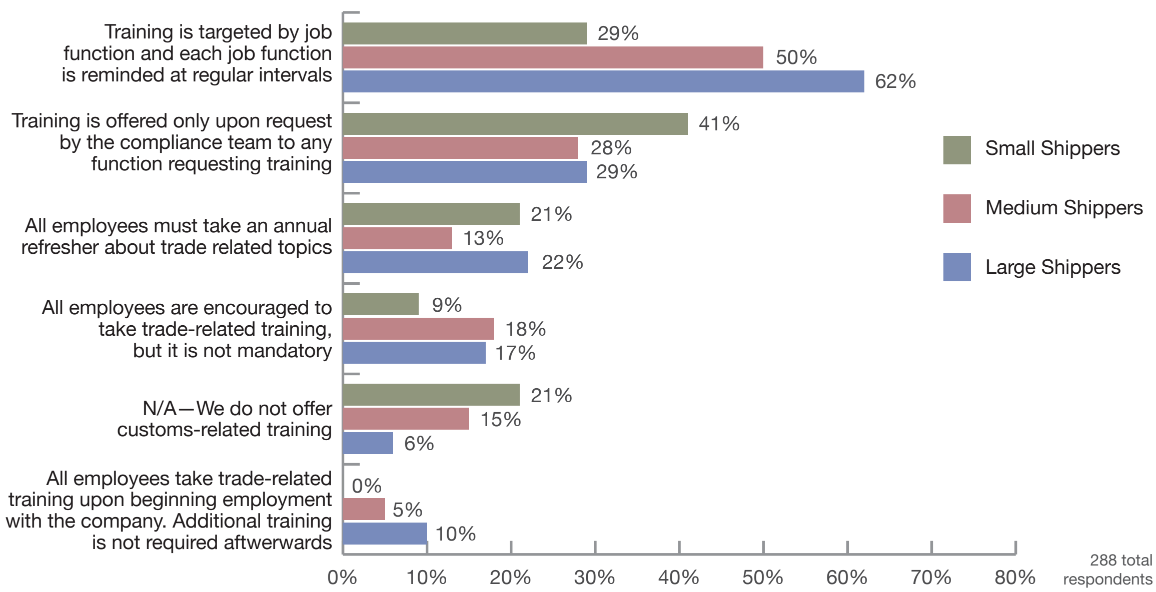
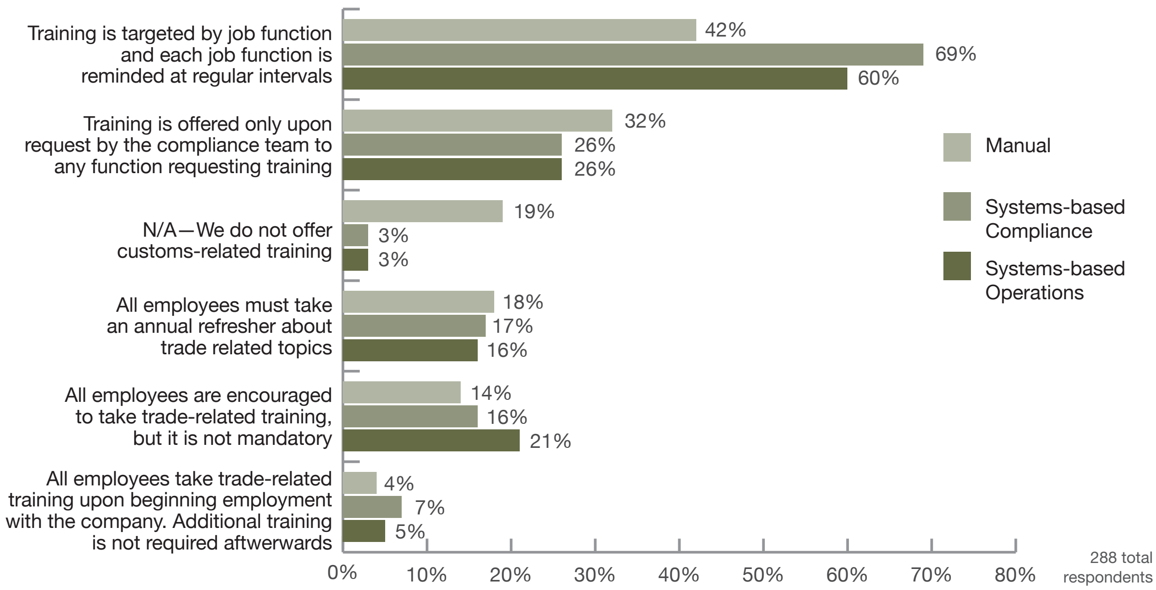
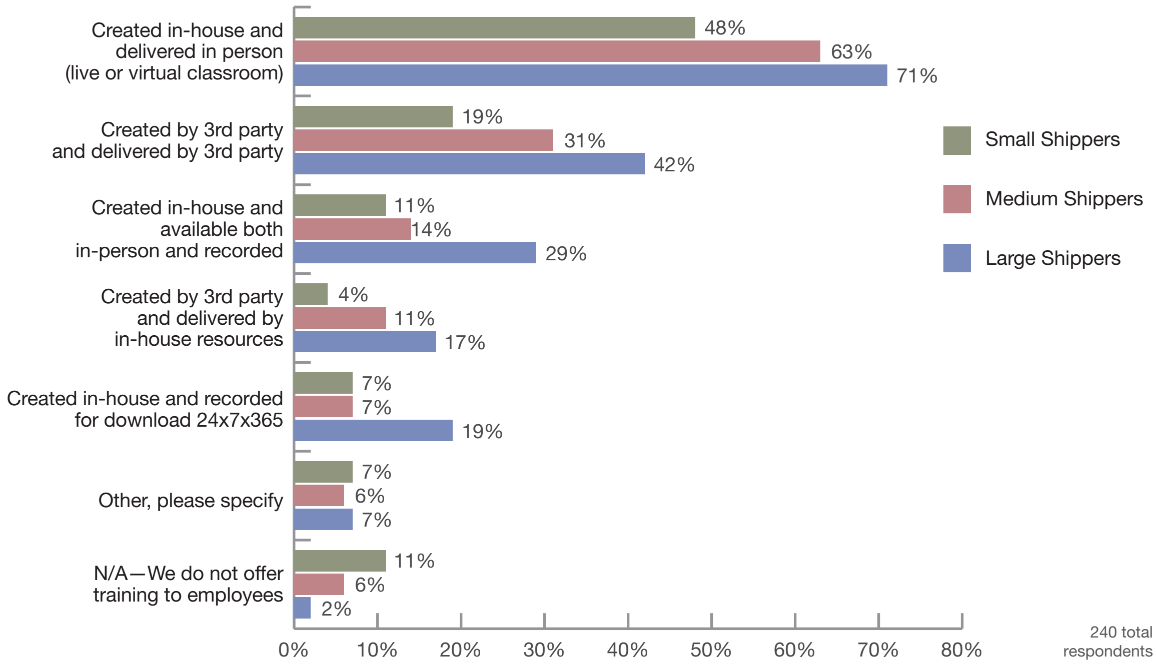


FIGURE 8: Customs Related Training Programs



Study results suggest that training is demand-based. Just over 60 percent of large shippers target training by job function and work with these functions to ensure that training is periodically refreshed. Medium-sized shippers also seem to employ this tactic, coming in at 50 percent. Small shippers have a slightly different strategy. Only about 30 percent of small shippers proactively target training by job function. Instead, more than 40 percent of small shippers await requests for trade-related training from the job functions in their company. Large and medium-sized shippers do this less than 30 percent of the time.

FIGURE 9: How is Training Delivered?



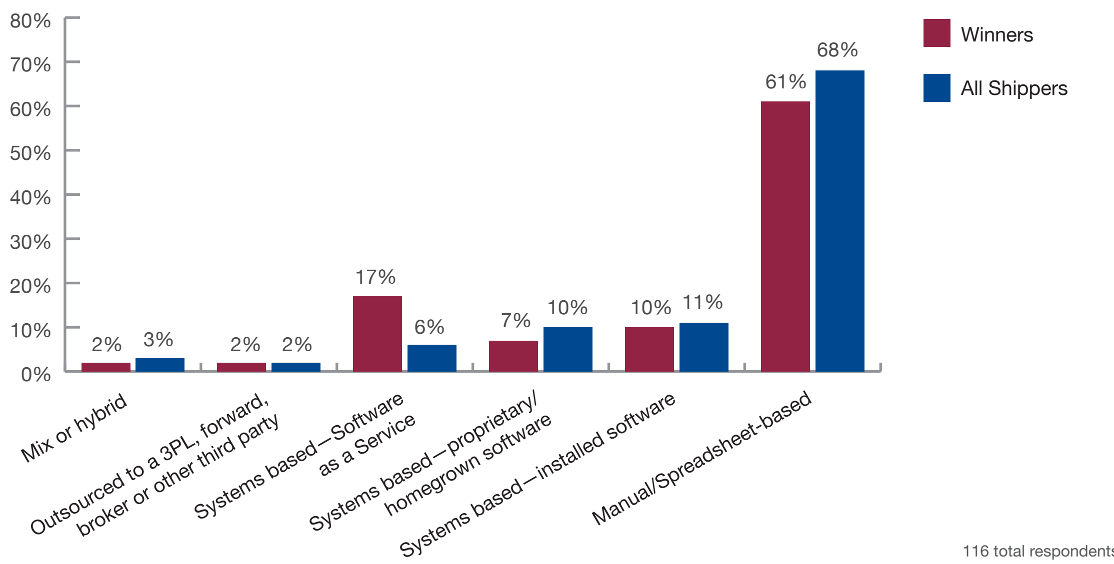
Large shippers with a systems-based approach to compliance are most able to identify the job functions in their companies requiring training and are able to regularly remind these functions of training requirements.

Among all types of shippers, when training is delivered, it is largely created in-house and delivered either live or via a virtual classroom. Large shippers trend towards other methods, such as leveraging third-parties to create and deliver materials and record training sessions for future use.

Section III: Import Compliance

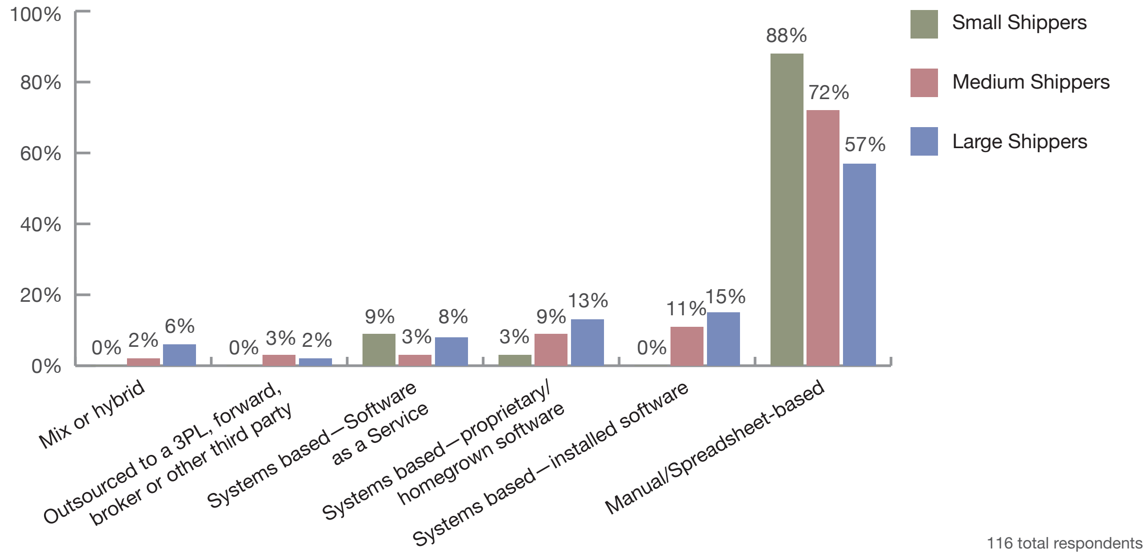
In the area of trade compliance, 68 percent of all shippers and 61 percent of winners rely solely on manual processes to manage trade compliance. An overwhelming majority, 88 percent, of small shippers rely on manual processes. However, alarmingly, almost three quarters of medium-sized shippers and more than half of large shippers also rely on manual processes to manage their trade compliance as described by the results in Figure 10. It is critical to remind readers that manual processes risk additional costs, shipment delays and increased audit potential. This also has a tremendous impact on the corporate image and customer satisfaction rates for a company.

FIGURE 10: Import Compliance Platform



Few shippers outsource customs compliance, leaving an opportunity for companies to leverage several forms of systems-based software, whether homegrown, installed, or delivered as a service. There is an enormous disparity between the manual-based companies and those relying on systems. Figure 11 shows that in general companies are six-times more likely to rely on their spreadsheets than to use an automated system.

FIGURE 11: Import Compliance Platform—by Company Size



Understanding how companies manage entry filing and corresponding entry rates is an interesting barometer on which to gauge commitment to compliance. Nearly three-quarters of the pool of respondents indicate that they outsource entry filing, though there are slightly less outsourced filers than the 2011 data showed. All in all, it appears that most companies outsource entry filings and do so with a high rate of accuracy.

FIGURE 12: Nature of Entry Filing Creation

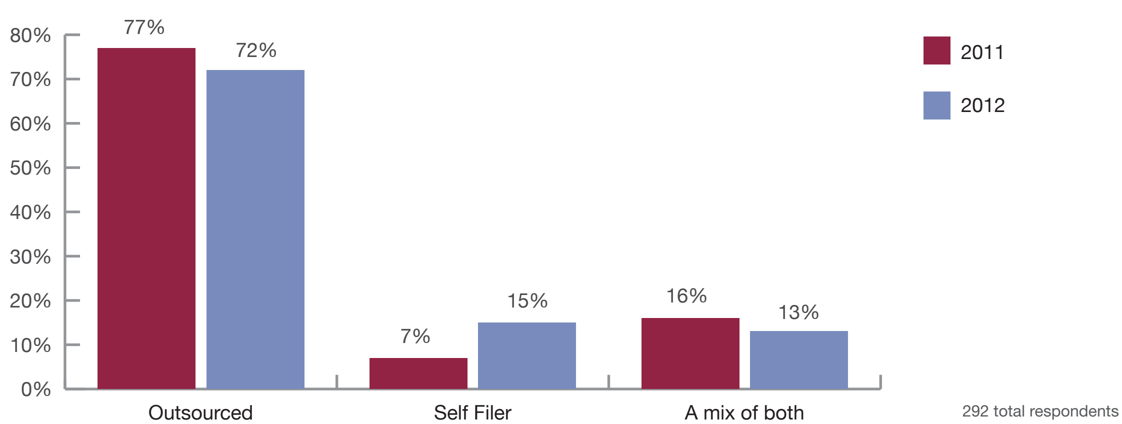
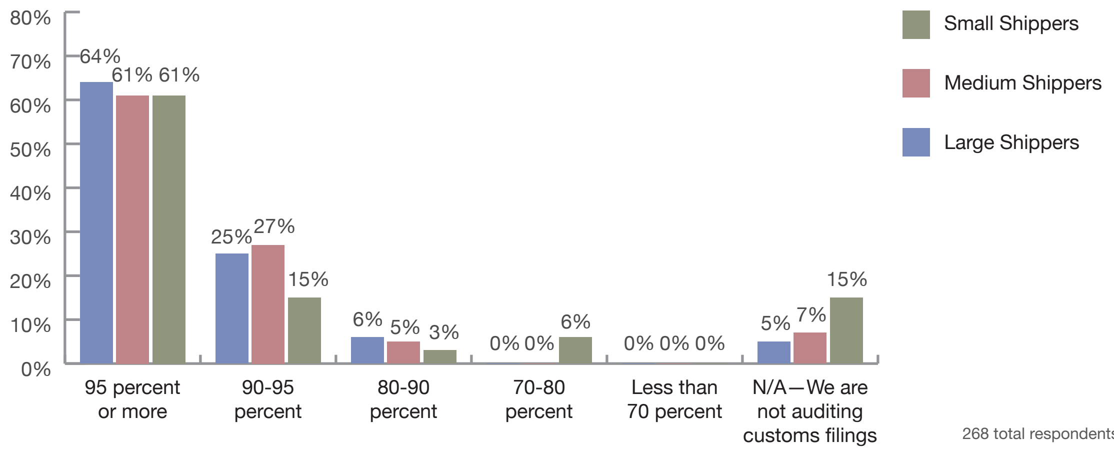


FIGURE 13: Accuracy of Customs Filings—by Company Size

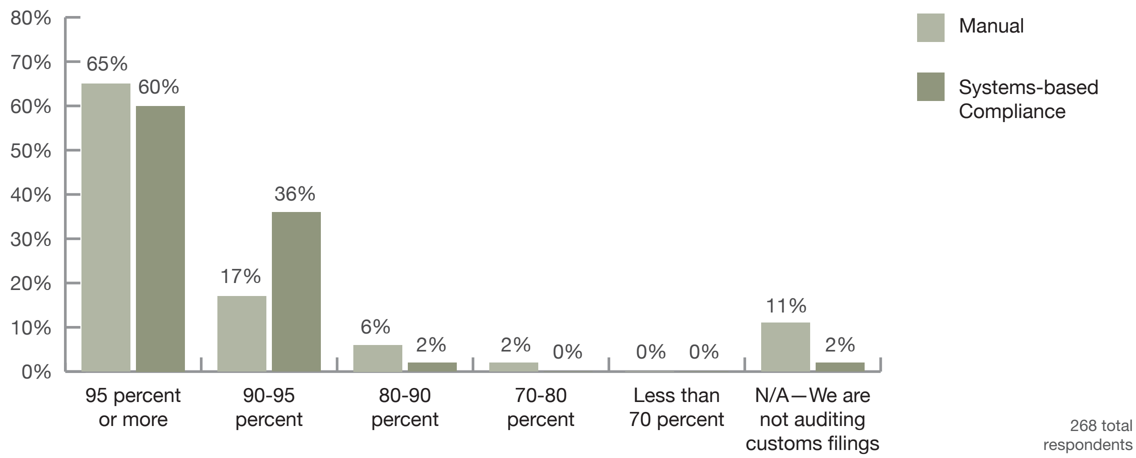


268 total respondents

Roughly 90 percent of large shippers, 85 percent of medium-sized shippers, and 75 percent of smaller shippers report a 10 percent or less error rate in entry filings. That is good news.

Notably, 60 percent—whether small, medium-sized, or large shippers—report an accuracy rate of 95 percent or better. Perhaps the best news of all is that no company reported an error rate greater than 30 percent.

FIGURE 14: Accuracy of Customs Filings



There is an interesting nuance illustrated in Figure 14. The data here shows that about 65 percent of companies with a manual-based method of managing compliance have an error rate of 5 percent or less in their filings. Roughly 25 percent of companies with a manual-based method of managing compliance have better than an 80 percent accuracy rate with most respondents reporting better than a 90 percent accuracy rate. Ninety-six percent of systems based companies boast a better than 90 percent accuracy rate with most of these respondents reporting that their error rate is just 5 percent. A remaining 13 percent or so of both manual- and systems-based companies do not audit their entry filings, 11 percent of which are companies with a manual approach to compliance.

While it is admirable that most companies can boast precision in their entries, the results from small shippers with a manual approach to compliance should not be overlooked. Focusing specifically on the manual-based companies, it is important to address the 11 percent of small shippers that do not perform any kind of audit on their entry filings.

SPOTLIGHT ON CUSTOMS ENTRY AUDITING

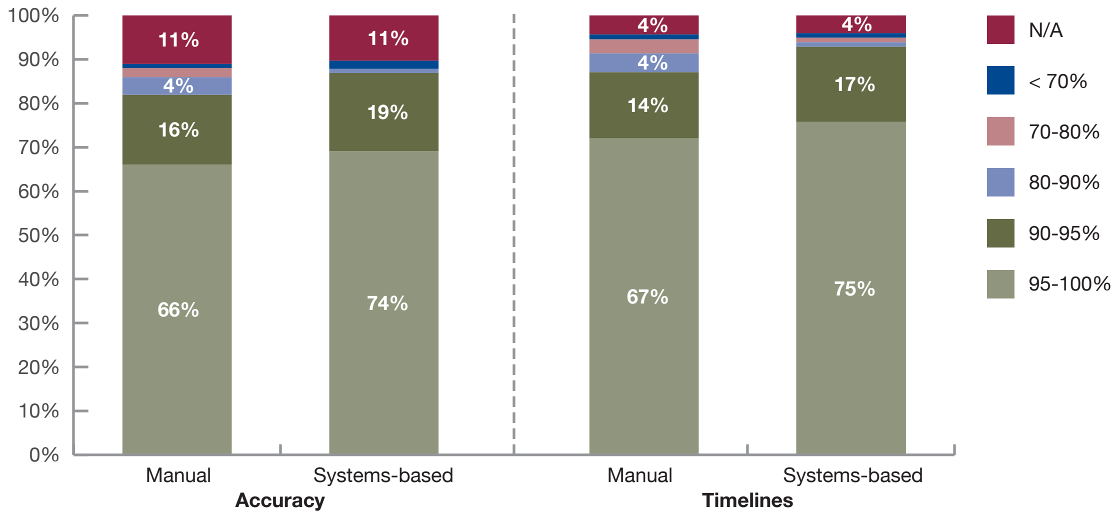
The lack of auditing on entry filing is surprising. Specifically, 15 percent of small shippers and about 5 percent of medium-sized and large shippers do not audit their entries. By not auditing entries, companies expose themselves to potential fines and delays related to classification, origin, and valuation errors from statements made by their brokers or agents. In fact, a company can reliably count on Customs officials performing a thorough review, at a minimum, of classification and valuation in the event of an audit. Errors in these areas impact the bottom line of a company and could also lead to suspension of trade privileges. It is too great a risk not to review entries and determine root causes of misinformation so that they do not perpetuate. Faults can occur both in-house and with service providers. Internal processes may be faulty or there may be oversights in broker management. As part of any solid internal controls program, it is important for all companies to identify and resolve gaps in their compliance programs. At a minimum, companies can do this by ensuring that any statements made to government authorities on their behalf are accurate and verifiable.

Customs entry reviews generally occur within the operations or compliance teams. Accuracy rates are important statistics to gauge risk level and used by corporate internal audit teams during a broader review of the compliance program. It is inferred that since a segment of companies do not audit entries, there may not be a broader audit of the compliance program despite the existence of a local internal audit team. The lack of auditing is a big risk area and begs a few points to consider, all of which hinge on a company's commitment to compliance:

- **Simple oversight**—Since compliance teams are most often hosted by a supply chain function their management approach is more operationally minded rather than audit-minded, as one would expect to be modeled by a legal or finance team.
- **Compliance is buried deeply in another organization**—The higher-level organization may be audited, but not to the level of trade compliance. The already-existing internal audit teams are not assigned to a trade function and may not be familiar enough with the field of customs compliance to push the compliance or operations team to audit customs entries.
- **Lack of executive sponsor for budget increases to be dedicated to automated tools**—Auditing can be performed much easier via automated tools and since the majority of non-auditors are small shippers relying on manual systems, auditing is too difficult.
- **Compliance takes a back seat to sourcing and growing new or existing markets**—Even after all these years of raising awareness of trade, compliance may still not have reached even the peripheral vision of executive teams.
- **Not knowing where to start**—In a field full of compliance requirements, some companies are not able to prioritize areas of risk. As noted above, classification and valuation are reliably examined by customs authorities. Special trade programs and special duty provisions are also areas that are often assessed for potential risk.

These questions can only be answered by taking a look at your own corporate structure, identifying the drivers behind audits, and working with executive teams to ensure that trade conducts self-audits or is put on the internal audit schedule. Whatever the reason, auditing processes are key to ensuring a solid compliance program.

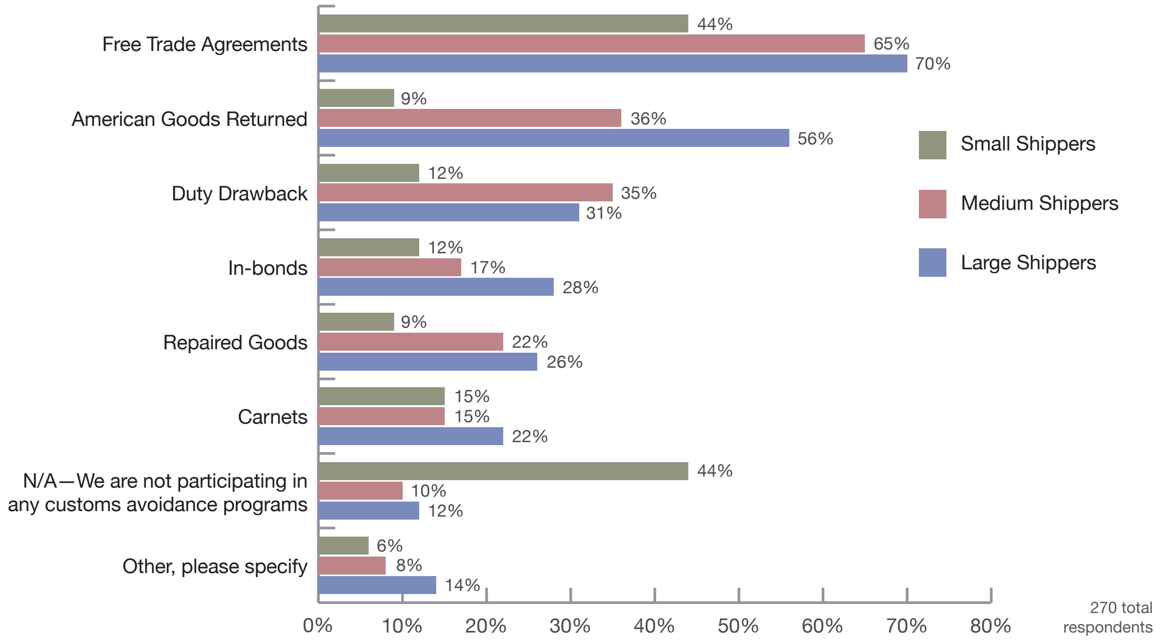
FIGURE 15: ISF Filing Accuracy & Timeliness



ISF filings run parallel to the findings related to entry filings. Companies leveraging automated systems are more precise and timely than those relying on manual systems. As seen in Figure 15, almost all companies that filed ISF data via automated processes filed timely, while those relying on filing manually had a larger percentage of late entries. Correspondingly, the manual shippers saw a greater error rate than those relying on automation. The same illustration demonstrates that 82 percent of all shippers using manual processes report a 90 percent or greater accuracy rate with most reporting a 95 percent or better accuracy rate. While this is good, this pales in comparison to the 93 percent of shippers using a systems-based process who reported a 90 percent or greater accuracy rate and with a greater proportion of respondents reporting a 95 percent or better accuracy rate.

Again, study results suggest that automation may lead to higher levels of compliance in terms of the timeliness and accuracy rate of ISF filings as well as in the area of auditing entry data.

FIGURE 16: Duty Avoidance Programs



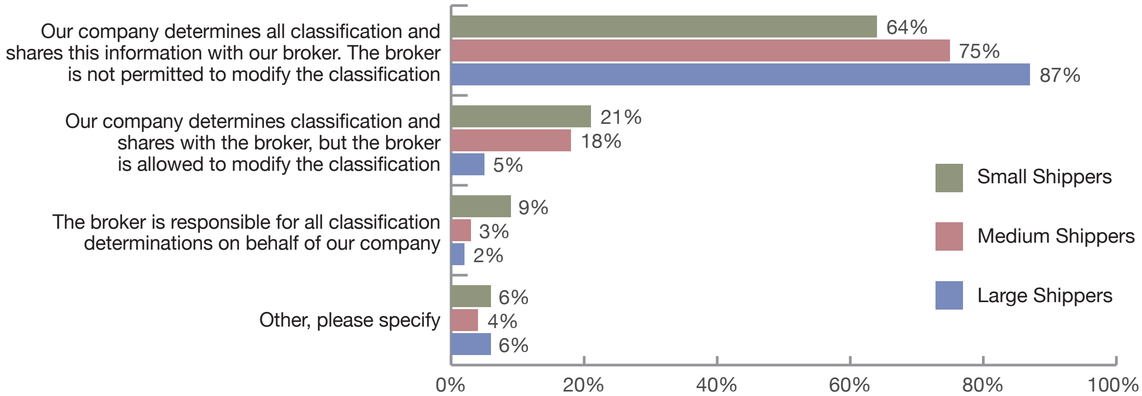
In an era of cost-cutting, there is an overwhelming use of free trade agreements among all shippers. American Goods Returned programs were most likely to be leveraged by large shippers. Medium-sized shippers cautiously used drawback and in-bond movements. Small shippers indicated that they are just as likely to use a free trade agreement as they are to not participate in duty-avoidance programs. As discussed previously, most of the small shippers rely on manual-based approaches to compliance and do not audit entries. Accordingly, it is a wise move by these companies to either focus on a single specific duty avoidance program or refrain entirely from participation in these programs as the administrative burden of managing them is extremely high.

Interestingly, large and medium-sized shippers participate in a myriad of duty-avoidance programs. Looking back at the data, it is noteworthy to point out that these companies take on increased risk by not auditing their customs entry data. All special trade programs come with a high degree of administrative burden and may raise a "red flag" with government auditors.

Further, based on the lack of auditing and manual processes, it seems companies are taking on risk that far outweighs the benefit of any special trade program. Missing records, omitted documentation, relying on tribal knowledge rather than recording data in a system, etc., are common mistakes found in audits of manual-based systems. A single inquiry by a government official can result in fines and penalties detrimental to the corporate bottom line.

A bright spot in the use of free trade agreements can be interpreted from the results of Figure 16. Sixty percent of small shippers, 75 percent of medium-sized shippers, and 85 percent of large shippers reported strong customs classification controls in their companies. These shippers determine the classification and communicate it to the broker with the requirement that once determined the broker cannot change it without consent from the company. This is an excellent business practice which we will explore in greater detail below. In addition, it can be inferred that companies leveraging free trade agreements appropriately classify and qualify their goods for preferential trade.

FIGURE 17: Broker's Role in Classification



269 total respondents

Focusing on the role of a broker in classification, it is a best practice for a company to assume all responsibility for classification rather than outsourcing it to a customs broker or allow brokers to change classifications. A good example is with a multi-functional product, such as a smartphone, that may be classifiable in two or more headings of the Harmonized System nomenclature. With multi-functional products, companies look to the principle function of the unit in order to classify the product. In this example, the principle function of the smartphone may be akin to that of a computer rather than a telephone, while in other cases the principle function may be that of the phone rather than the computer. As customs brokers are extremely knowledgeable about classification and duty, they may know that multifunctional units classified under one classification may enter duty free, while classified in a specific subheading is dutiable. In this example, a well-meaning broker may identify a duty savings opportunity for the company and change the classification provided to them for a multi-function product into a non-dutiable category. This may backfire on the company as it could be contrary to an administrative ruling or the product specifications of the entered goods. While most companies do assume responsibility for classification, a total of about 15 percent of small shippers, 10 percent of medium-sized shippers, and 8 percent of large shippers outsource classification completely to a broker or allow another means of broker intervention in classification. This is again, a risk area that companies should strive to discontinue.

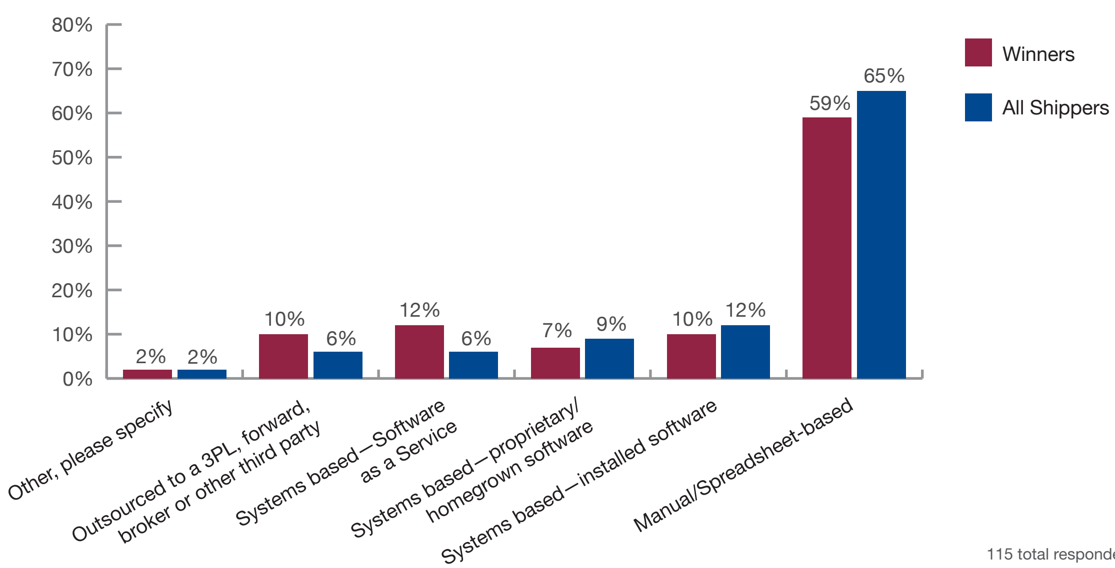
Section IV: Operations

American Shipper and BPE Global advocate a holistic view of global trade management that incorporates compliance, visibility and finance (see our *GTM Landscape Report* published February 2012—www.AmericanShipper.com/GTM2012). Keeping with that theme, this year's benchmark survey includes more in-depth analysis of import operations than previous reports.

Nearly two-thirds of importers surveyed classified their operation as manual or spreadsheet based. Winners are only slightly less likely to rely on manual processes. Winners are more likely to use a system provided by a 3PL or a software-as-a-service (SaaS) vendor, suggesting they are more interested in renting their import platform than owning it. Whether using SaaS or an installed system, the lack of use in automation is surprising. Trade regulations and processes grow exponentially as a company grows. For example, realities of trade compliance include:

- Thousands of pages of regulations per country.
- +20,000 tariff line items in the United States alone.
- Multiple jurisdictions involved in the import and export of goods.
- On average 27 parties are involved in the import process.
- Many countries require advance filing of cargo information prior to departure or arrival.
- High penalties for non-compliance or violations.
- Risk of delays for repeat violations.

FIGURE 18: Import Operations Platform



115 total respondents

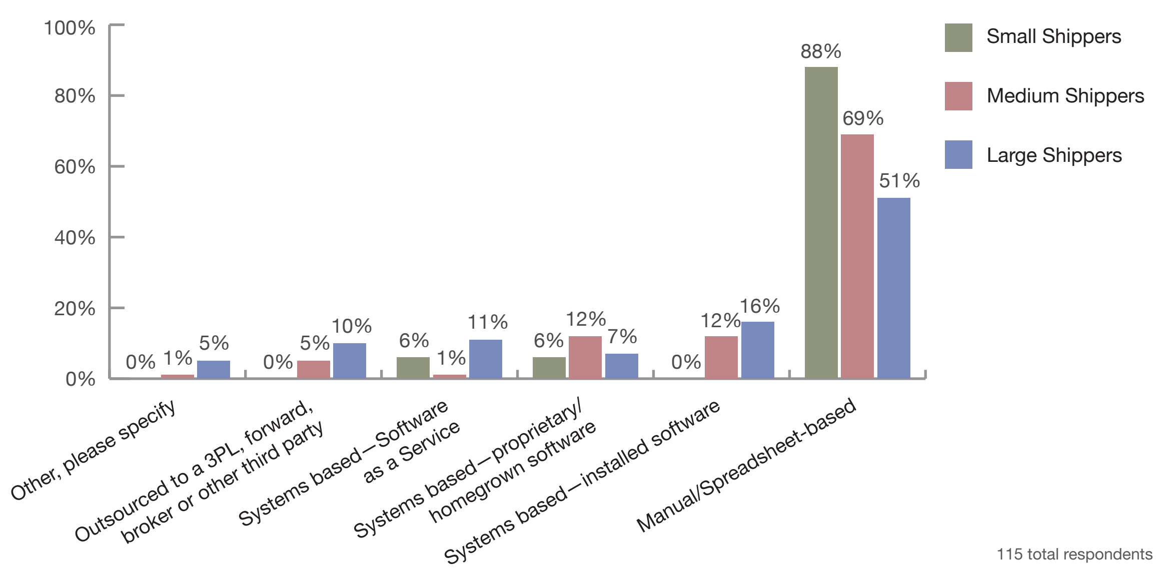
While companies should not automate simply because automation is available, they should evaluate specific needs—maybe some of the above—and find the automation tool that can help them improve visibility, control, and compliance.

To be clear, automation itself will not solve problems. Automating an ineffective process will either perpetuate errors or result in money spent with no tangible benefit for the company. Going back to the discussion related to audits, a review of processes, procedures, and methods of managing global trade is a good first step. Identifying areas ripe for efficiency is the next, and then selecting exactly what your company needs for its current and future growth is the third step. Finally, metrics comparing pre-implementation vs. post-implementation efficiency are key to ensuring that you are receiving the right return on your trade automation investment.

Company size and the level of automation are highly correlated. Small companies are significantly more likely than their larger peers to rely on manual processes.

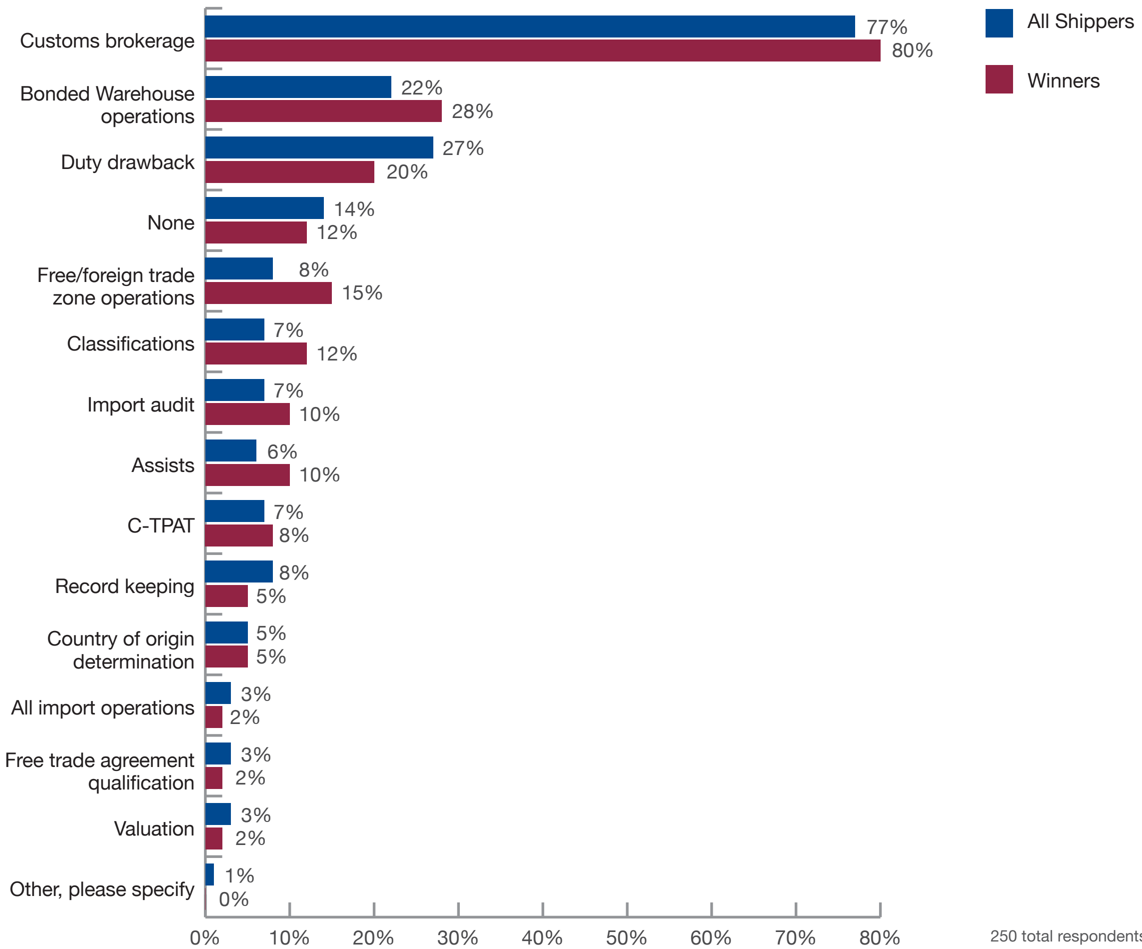
The delivery model of operational technology varies widely amongst those who do rely on systems.

FIGURE 19: Import Operations Platform—by Company Size



115 total respondents

FIGURE 20: Outsourced Processes/Functions



Customs brokerage is far and away the most likely import operation to be outsourced. Winners are more likely to outsource bonded warehouse and free/foreign trade zone (FTZ) activities. Winners are probably more likely to be operating an FTZ in general. There are many benefits to these programs but they tend to be reserved for more sophisticated import operations. In addition, oversight and controls in outsourced programs are extremely important.

FIGURE 21: Importer's Productivity Matrix

	Countries of Origin	Brokers Used	Entries/Yr	FTE for Imports
Retail/Wholesale	11.62	2.28	5461.93	2.66
Process Manufacturing	16.41	3.41	4843.57	3.82
Discrete Manufacturing	17.87	4.14	13335.07	6.52
Winners	17.75	2.65	8922.41	3.78

260 total respondents

Winners are not the largest importers in terms of the number of entries per year, but they are the most productive group. Winners process 15 percent more entries per full time equivalent employee (FTE) per year than their closest peers in the retail segment.

It's worth pointing out that winners use fewer brokers than their peers. This points to a best practice—concentrating volumes among a select number of trusted broker partners.

FIGURE 22: Importer's Productivity Matrix

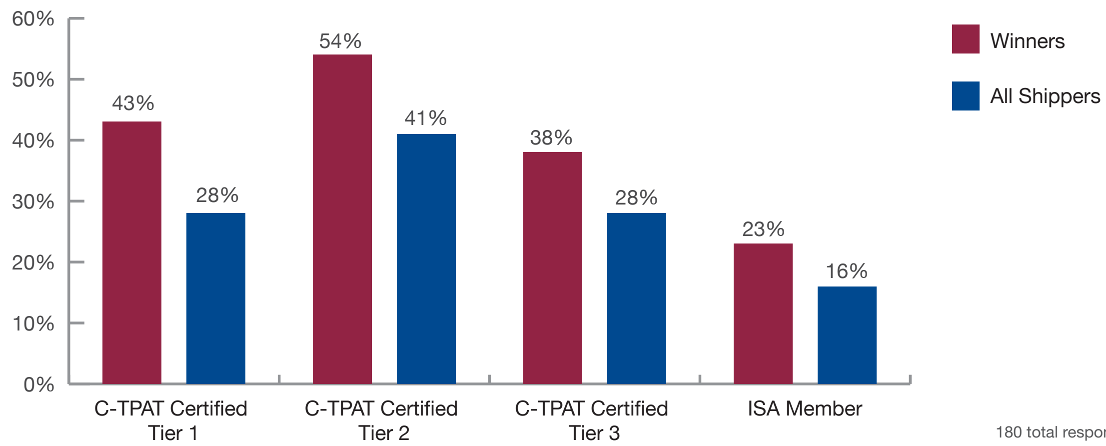
	Countries of Origin	Brokers Used	Entries/Yr	FTE for Imports
Systems-based Compliance	27.01	4.72	16178.04	11.33
Systems-based Operations	28.01	4.48	16323.58	11.54
Manual-based	13.45	6.51	8356.2	29.77

260 total respondents

Companies that leverage systems for import operations, compliance, or both functions, source twice as many shipments from twice as many countries of origin. However, they rely on half as many FTEs to get the job done.

These findings demonstrate technology's usefulness as a means to manage volume and complexity. Systems-based importers are nearly five-times more productive than their peers.

FIGURE 23: C-TPAT Participation



180 total respondents

Winners are considerably more likely to be involved at all levels of the Customs-Trade Partnership Against Terrorism (C-TPAT) program. It is not reasonable to suggest that C-TPAT participation makes an importer a winner. However, the data clearly suggests there is a correlation between an importer's security programs and their success in terms of operations and compliance. This may not only be attributed to the "tightening up" of various controls in a company, but also because of an overarching compliance strategy developed by a company. In order to become a C-TPAT certified company, a pan-departmental effort in a company must be launched. Partnerships between the compliance/operations function and other functions such as facilities, security, human resources, and shipping in an organization are necessary in order to achieve C-TPAT certification. The partnerships between compliance and other functions yield several benefits, one of which is that trade compliance awareness is more pronounced in a C-TPAT certified company and future questions are routed to the correct person before they become an issue.

Section V: Technology

Operations gets slightly more attention from IT, but not much. The types of platforms prevalent among importers are pretty much identical when comparing operations and compliance.

Amongst companies that use technology for operations, larger companies outspend their smaller peers. But the difference isn't huge when comparing large and medium-sized companies.

FIGURE 24: Operations vs. Compliance Platform

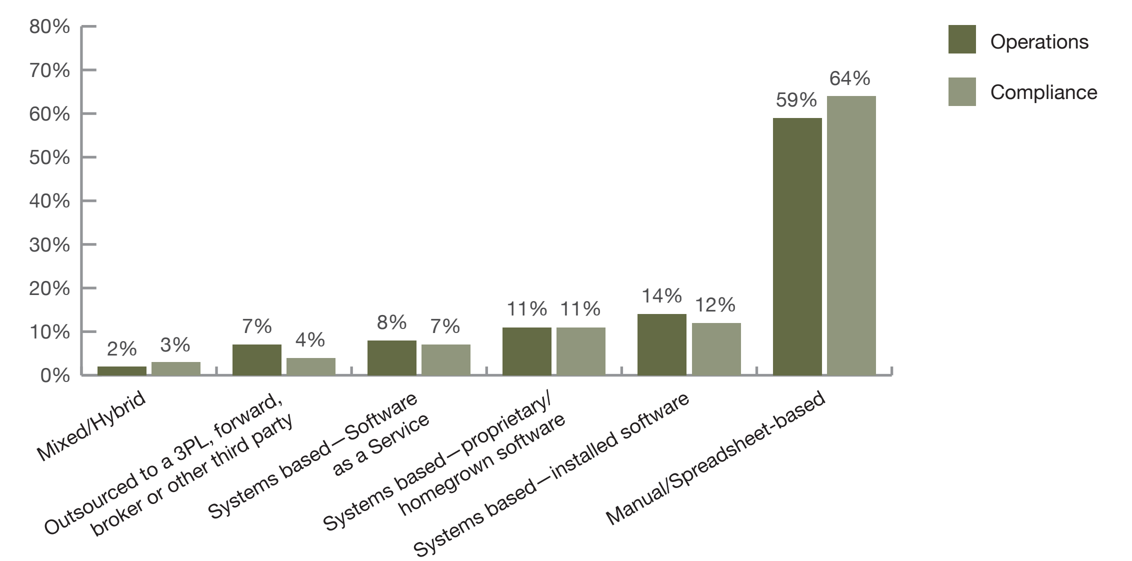
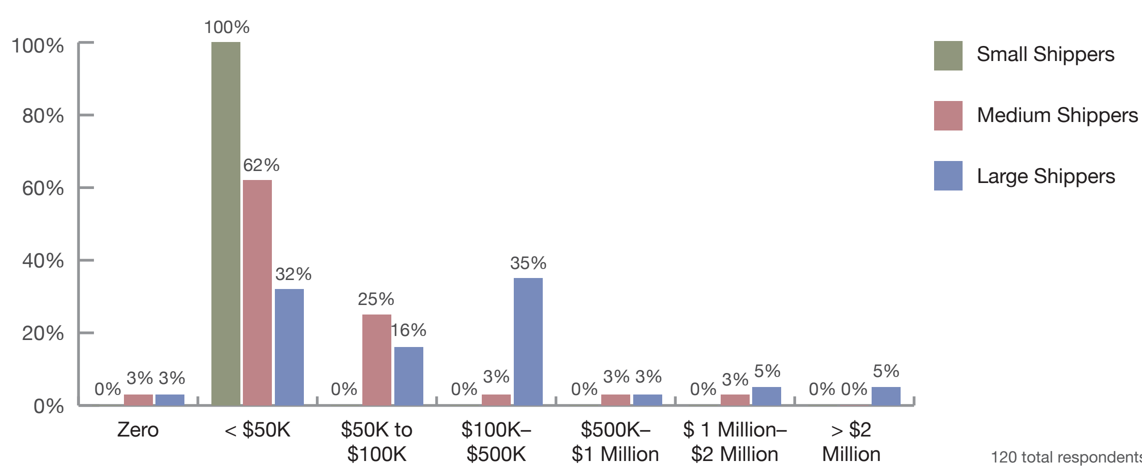
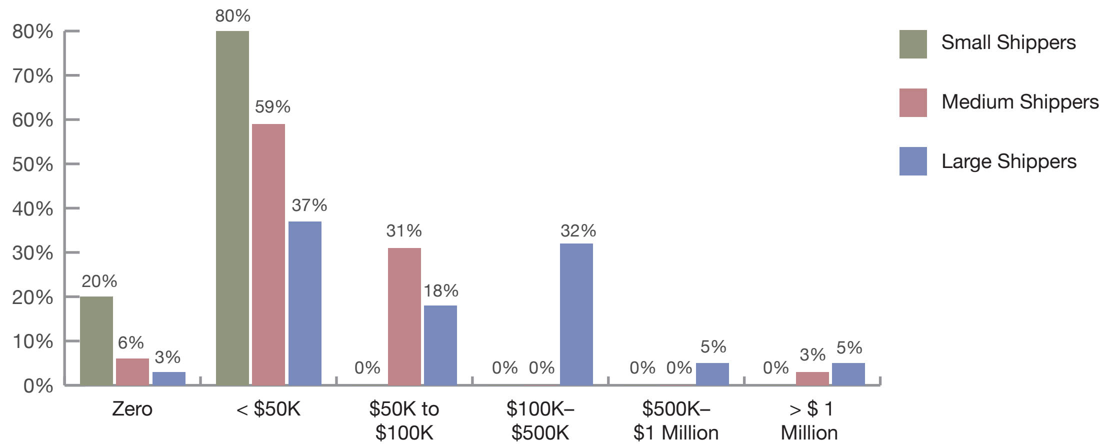


FIGURE 25: Spending on Operations Technology



120 total respondents

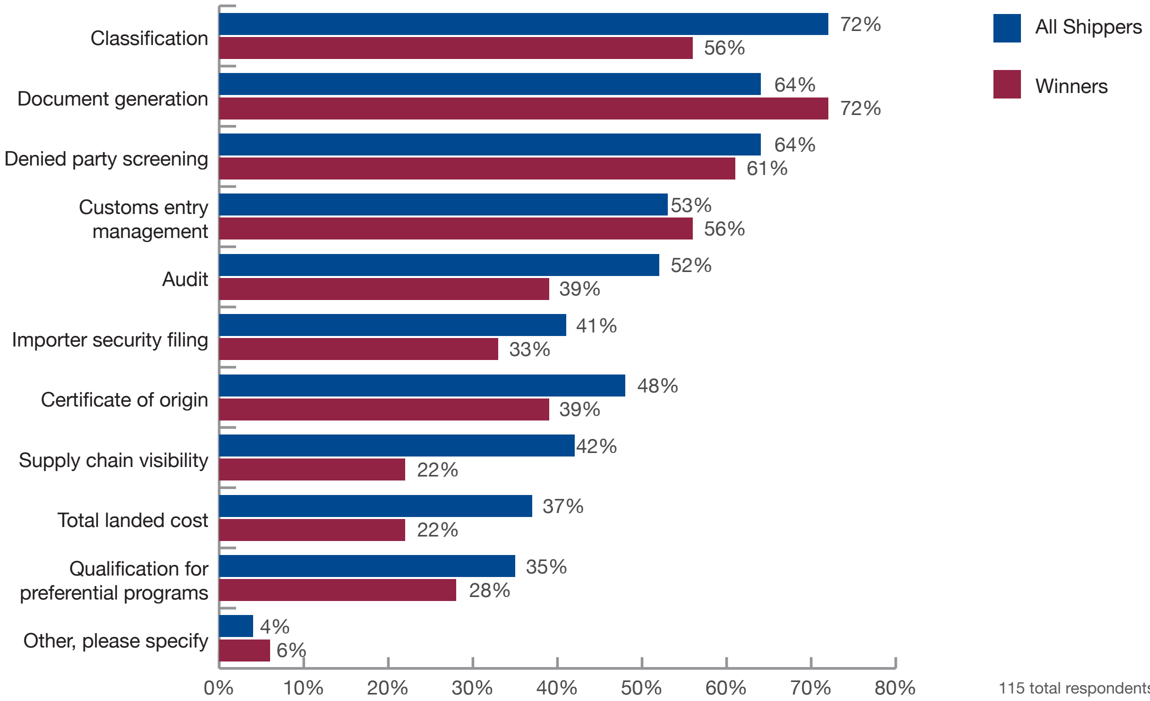
FIGURE 26: Spending on Compliance Technology



Likewise, spending on compliance technology generally increases as the company size increases. Overall importers who use technology tend to spend slightly more on operations but, again, the gap is not very large.

Winners don't necessarily spend more than their peers. In fact, with respect to compliance technology, winners actually spend slightly less. This does not mean they rely on their technology any less. It merely suggests they get more "bang for their buck."

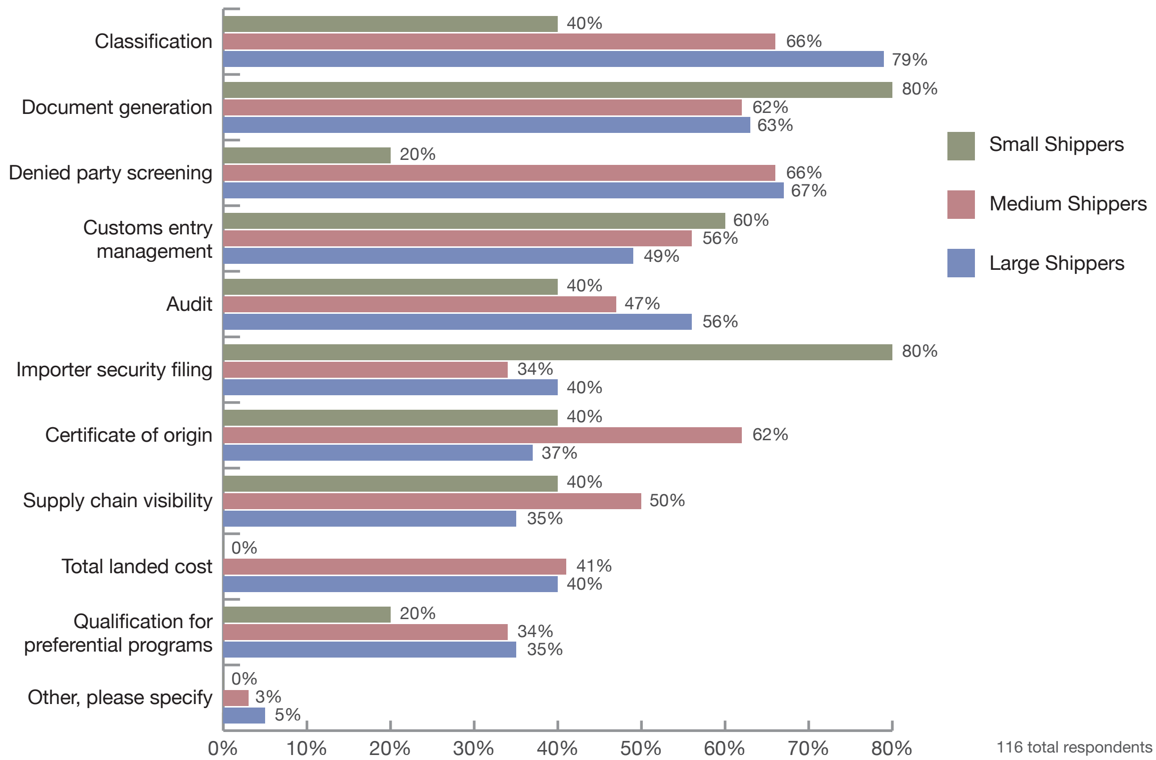
FIGURE 27: Functionality



115 total respondents

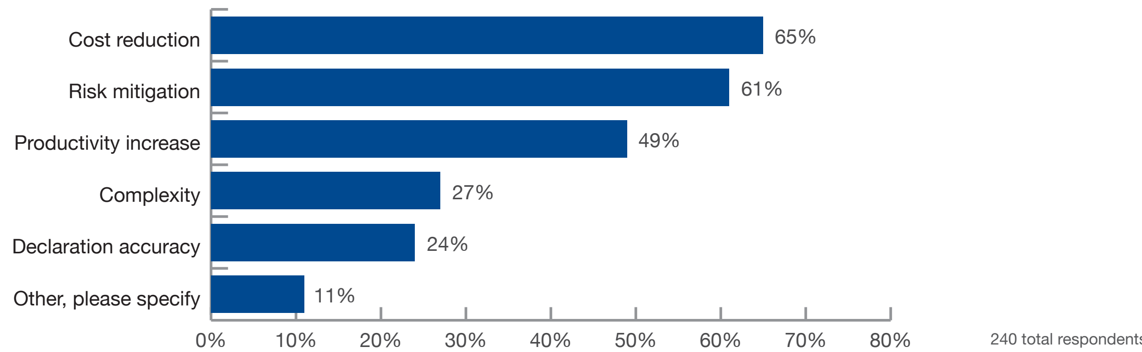
Surprisingly, winners use less functionality overall from their import technology than their peers. Winners tend to focus on document generation and customs entry management. This suggests those functions are particularly important to excelling at import operations and compliance management.

FIGURE 28: Functionality—by Company Size



Critical compliance functions, such as a classification and denied party screening, appear to be more available to medium-sized and large companies. Small shippers clearly rely on technology to satisfy ISF requirements.

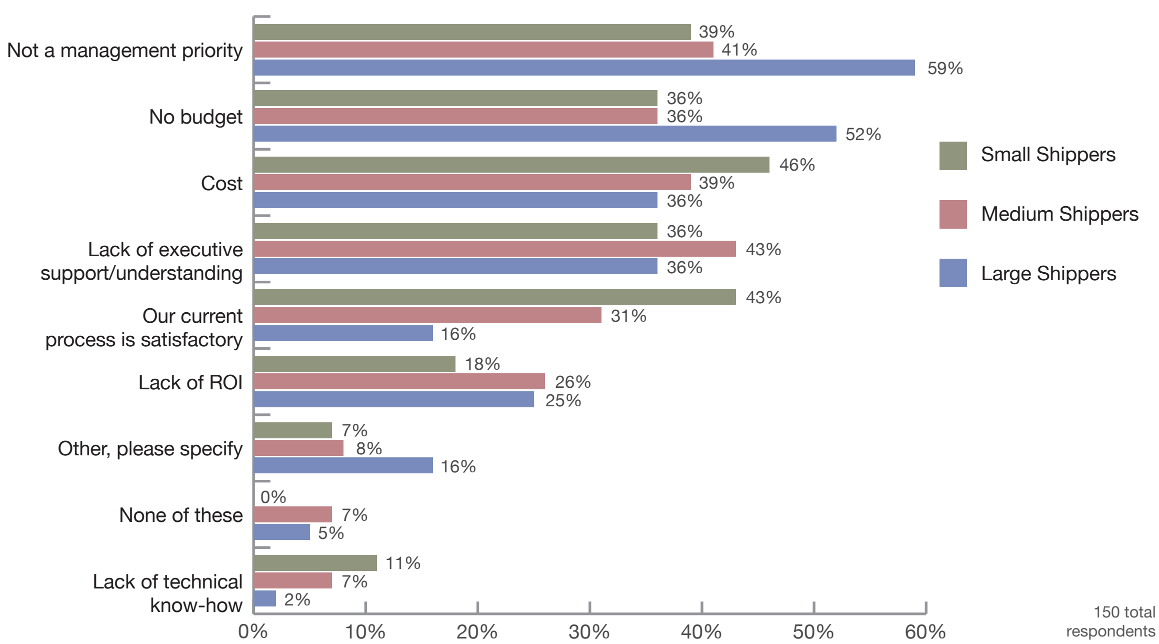
FIGURE 29: Drivers to Technology Adoption



No surprises with figure 29. Key drivers to technology adoption are costs, risk and productivity.

The inhibitors are a little more interesting. Large importers struggle with management support and budgets, while smaller shippers are more complacent with their current process.

FIGURE 30: Inhibitors to Technology Adoption



Section VI: Best Practices Learned from the Winners

Based on the survey results and subsequent analysis, *American Shipper* and BPE Global suggest U.S.-based importers take the following steps to align their import practices with winners or best-in-class operators:

- Structure your organization such that compliance has at least some accountability to legal and/or finance. While the results of the 2012 study show that compliance can be successful when hosted by an operations function, there must be communication within your organization among all the stakeholders in a top-notch compliance program.
- Audit all compliance and operations activities. While customs entries were highlighted as an area to target for audit, importers must bear in mind that a customs entry comes at the end of the importing process. All the processes, procedures, and policies leading up to the entry must also be audited to ensure that errors are caught early in the importing process to avoid errors on entry documents.
- Leverage technology as a means to manage large volumes, high-risk and/or high-complexity levels as well as in an audit program. Ensure that any technology selected automates key processes, automates processes with precision, and is appropriate for your current and future business needs.
- Concentrate business with a small number of brokers and tightly control the classification determination process.
- Outsource foreign trade zone and in-bond activities as appropriate for your business, but do not outsource oversight of these programs. It is important that the compliance function develops controls on these activities and monitors these programs.
- Participate actively in C-TPAT and other security related programs. Participation in these programs will raise awareness of not only security standards and compliance, but its impact on trade. Your compliance organization will benefit from partnerships with other functions, such as facilities, security, HR, and shipping.

Appendix A: Resources

U.S. CUSTOMS AND BORDER PROTECTION

http://www.cbp.gov/xp/cgov/home.xml

CUSTOMS-TRADE PARTNERSHIP AGAINST TERRORISM

http://www.cbp.gov/xp/cgov/trade/cargo_security/ctpat/

Appendix B: About *American Shipper* Research

BACKGROUND

Since our first edition in May 1974, *American Shipper* has provided U.S.-based logistics practitioners with accurate, timely and actionable news and analysis. The company is widely recognized as the voice of the international transportation community.

In 2008 *American Shipper* launched its first formal, independent research initiative focused on the state of transportation management systems in the logistics service provider market. Since that time the company has published more than a dozen reports on subjects ranging from regulatory compliance to sustainability.

SCOPE

American Shipper research initiatives typically address international or global supply chain issues from a U.S.-centric point of view. The research will be most relevant to those readers managing large volumes of airfreight, containerized ocean and domestic intermodal freight. *American Shipper* readers are tasked with managing large volumes of freight moving into and out of the country so the research scope reflects those interests.

METHODOLOGY

American Shipper benchmark studies are based upon responses from a pool of approximately 30,000 readers accessible by e-mail invitation. Generally each benchmarking project is based on 200-500 qualified responses to a 25-35 question survey depending on the nature and complexity of the topic.

American Shipper reports compare readers from key market segments defined by industry vertical, company size, and other variables, in an effort to call out trends and ultimate best practices. Segments created for comparisons always consist of more than 50 responses to keep the potential margin of error to a minimum.

LIBRARY

American Shipper's complete library of research is available on our Website: AmericanShipper.com/Research.

Annual studies include:

- Environmental Sustainability
- Export Compliance
- Import Compliance
- International Transportation Management
- Transportation Invoice Payment
- Transportation Procurement

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Appendix C: About Our Partners

BPE GLOBAL

Decrease risk and optimize efficiency with BPE Global. Since 2004, companies have achieved results through BPE's global trade consulting and training services. BPE's team of seasoned regulatory and operational experts has the ability to navigate the complexities of global trade compliance, supply chain management, and logistics operations. As a recognized leader in trade compliance and logistics management, BPE Global provides solutions that are customized to your company's needs.

The BPE team is made up of knowledgeable, energetic and pragmatic licensed customs brokers, each with over ten years of experience. BPE gives back to the trade community by sharing knowledge and skills through webinars, publications, trade events, and as a recognized Trade Ambassador to US Customs and Border Protection.

Enabling companies to succeed in global business is our mission. Helping you achieve efficiencies and best practices in compliance is our passion. To learn more about BPE, visit www.bpeglobal.com.

INTERNATIONAL COMPLIANCE PROFESSIONALS ASSOCIATION

ICPA was established by Ann Lister and Lynda Westerfield to serve the needs of international trade compliance professionals. It has grown from an informal e-mail list into an organization of more than 1,000 members.

By joining ICPA you can have access to and take part in the most vital discussions surrounding international trade today. You can ensure that your views are known to government and industry partners whose policies affect your bottom line.

ICPA's mission is to:

- Disseminate information relevant to import/export and other international trade related matters.
- Facilitate networking opportunities among the membership body.
- Facilitate career opportunities and development.
- Monitor and participate in international trade issues and trends with a goal to potentially affect change and influence policy development in the global trade arena, either directly or in conjunction with other international trade organizations.
- Provide education and training, which may include wholly sponsored programs or programs in conjunction with other appropriate organizations.

Appendix D: About Our Sponsors

AMBER ROAD

Amber Road (Formerly Management Dynamics) is the world's leading provider of on-demand Global Trade Management (GTM) solutions. By helping organizations to comply with country-specific trade regulations, as well as plan, execute and track global shipments, Amber Road enables goods to flow unimpeded across international borders in the most efficient, compliant and profitable way.

Our solutions automate import and export processes, provide order and shipment-level visibility, calculate duties, taxes and fees, administer preferential trade programs, ensure regulatory compliance and simplify the financing, sourcing and transporting of goods across international borders. For more info, please visit www.AmberRoad.com or email us at Solutions@AmberRoad.com.

SAP

SAP Global Trade Services is the recognized leader of global trade management software. SAP helps companies of all sizes and industries run better. From back office to boardroom, warehouse to storefront, desktop to mobile device, SAP empowers people and organizations to work together more efficiently and use business insight more effectively to stay ahead of the competition. We do this by extending the availability of software across on-premise installations, on-demand deployments, and mobile devices. For more information please visit www.sap.com/gts or call 1-800-872-1727

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