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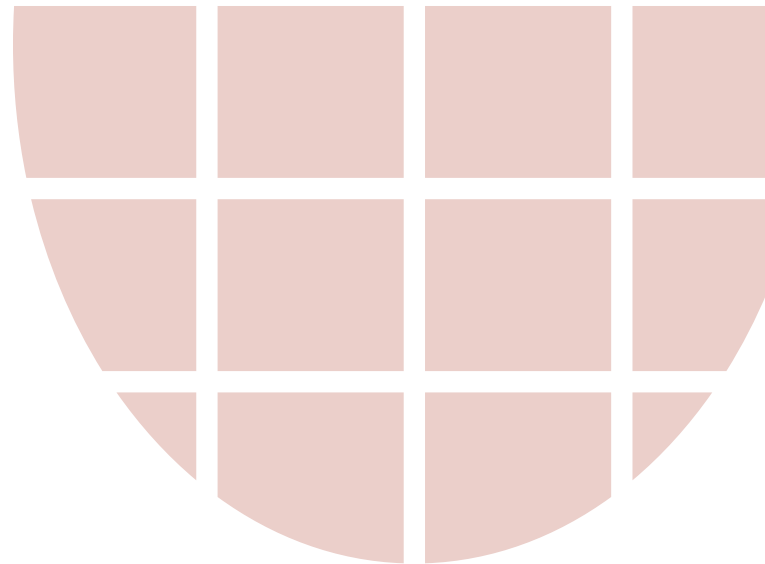


# Export Operations & Compliance Benchmark Report: Going Global With Regulatory Reform

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# Executive Summary

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Welcome to the second annual benchmark study covering U.S. export operations and compliance produced by *American Shipper* in partnership with BPE Global and the International Compliance Professionals Association (ICPA). More than 300 U.S.-based exporters participated in this 35 question survey covering export regulatory reform, operations management practices, organizational structure, compliance policies and export management technology.

Qualified respondents are limited to those companies exporting goods or services (deemed exports) from the United States. This includes freight forwarders, third-party logistics providers, non-vessel-operating common carriers, and other intermediaries in addition to shippers from all segments.

This year we are looking at the impact of going global with export control form. Many firms indicate uncertainty about the impact of pending export reform activities on their operations, while they struggle to remain profitable in times of economic uncertainty.

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## Export Control Reform

More than half of exporters—likely based on past experience with regulatory changes—feel the perceived pace of change is as expected under export reform, while a number of the remaining respondents indicate change is slower or much slower than expected. This may be a result of the initial fanfare surrounding the proposed changes—expectations of a swifter timeline may have been inferred.

Nearly half of firms subject to either the EAR (Export Administration Regulations) or ITAR (International Traffic in Arms Regulations) regulations indicate they are not certain that they are yet experiencing tangible benefits from export reform. This seems to conflict with anecdotal evidence that classification requests are being processed more quickly, and some regulatory areas such as encryption, have reduced reporting requirements, and changed requirements for when a formal CCATS (Commodity Classification Automated Tracking System) number must be obtained.

To the trade community, the creation of a single searchable list is the most important element of export reform. Understandably, having one list to utilize will be a significant improvement in managing export risk. The second most important element to the trade—simplifying export control and sanctions regulations—will likely be a much more complex task, with multi-year incremental improvements.



In this time of economic uncertainty, with domestic sales opportunities dwindling, many firms are finding that expanding markets abroad is the key to sustainability. Thus, U.S. firms are eager to go global, and to do that successfully require minimal barriers to global trade. Export control reform is considered a key to increasing U.S. exports, and keeping U.S. industry viable.

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**Export Operations  
& Compliance  
Management**

Survey results indicate the typical respondent exports to 38 countries with almost nine FTE resources tasked to export management. With the volume of classifications/licenses being processed appearing fairly low, one can infer the majority of time is spent on operational tasks, including export screening, documentation, and analysis of potential license exceptions available.

The majority of export teams surprisingly continue to report to transportation, logistics, traffic, and operations, despite the guidance, and more recent trend, to have export compliance personnel report to a function whose goal is risk mitigation, rather than to the function which is responsible for (and incented to) get products out the door.

Survey results suggest that export managers are going global. Sixty-one percent of respondents have a global responsibility compared to 52 percent in 2010. As domestic opportunities evaporate, U.S. firms are finding focus on global expansion is what keeps their business viable.

This year's study shows a 3 percent increase in companies managing export compliance fully in-house to 54 percent. Conversely, there was a 3 percent increase in firms which outsourced more than 75 percent of this function. Overall, despite the economic downturn, there is no indication of a trend of outsourcing to reduce internal headcount expense. This is most likely due to minimal staffing levels at export compliance organizations following the most recent recessions.

A big picture snapshot of these trends indicates that those in export operations and compliance management, are fairly secure in their current jobs, and the outlook for potential future opportunities is excellent, for those who have solid global expertise. Opportunities continue to exist both in-house and outsourced for those with global trade skills, as firms snap up personnel who can help them increase their global market presence.



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## Export Operations and Compliance Technology

Seventy percent of respondents feel that global trade management systems are a strategic investment for their firm. Exporters who manage products governed by ITAR are even more convinced that investment in GTM (global trade management) systems have strategic value, which isn't surprising considering the severity of the penalties related to ITAR infractions. In short, GTM systems are a strategic risk mitigation tool and the majority of exporters see them as an essential component of their global strategy.

Lack of budget however remains the No. 1 inhibitor for exporters to invest in GTM systems. This seems to be the theme in compliance-related markets where management does not see the activity as a strategic priority and subsequently does not invest in it. This suggests that compliance functions are not clearly mapping department objectives to corporate objectives such as reduced cost, increased profit, return on investment, competitive advantage, and customer satisfaction, when such ties clearly exist. If a company intends to expand its markets globally, then investment in a GTM system is not an option, it is a critical part of global expansion.

For all exporters, and those involved in ITAR exports in particular, failure to invest in GTM systems can be very dangerous as the penalties for non-compliance can be financially threatening. It is concerning that ITAR exporters are just as likely to have no budget for systems investments as their EAR exporter counterparts who have potentially lower risk exposure.

Those exporters who are addressing investment in systems are looking for global solutions as their companies—and increasingly their careers—go global. Systems developers should pay attention to this. The money in GTM systems in the future will be in global systems designed to help high-risk exporters manage their operations in a compliant fashion.

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## Best Practices

This study recommends U.S. exporters follow seven best practices demonstrated by best-in-class companies. They include:

- Be informed.
- Be prepared.
- Communicate.
- Be responsive.
- Be accountable.
- Strategize.
- Automate.



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# Section I: Introduction

## BACKGROUND, METHODOLOGY & TIMEFRAME

Welcome to the second annual benchmark study covering U.S. export operations and compliance produced by *American Shipper* in partnership with BPE Global and the International Compliance Professionals Association (ICPA). More than 300 U.S.-based exporters participated in this study between July 25 and Aug. 12, 2011. The 35 question survey included questions on export regulatory reform, operations management practices, organizational structure, compliance policies and export management technology.

Note that this year the White House's National Export Initiative (NEI) was dropped from the scope of this report. NEI is a program geared towards facilitating export growth from small U.S.-based companies while *American Shipper's* readership typically represents medium-sized and large exporters. It was not a fit and was excluded in favor of taking a deeper look at export reform, operations and compliance issues.

Survey distribution channels included *American Shipper's* subscriber database, BPE's e-mail database, and the ICPA and American Association of Exporters and Importers (AAEI) memberships. Qualified respondents are limited to those companies exporting goods or services (deemed exports) from the United States. This includes freight forwarders, third-party logistics providers, non-vessel-operating common carriers, and other intermediaries in addition to shippers from all segments. Carriers and other non-qualified responses are not included in the aggregate data sourced for this report.

## TERMINOLOGY

In the interest of being succinct and direct this study uses several terms or acronyms you may not be familiar with. These explanations and definitions should be kept in mind when reviewing the results that follow.

**Automated vs. Manual Exporters**—For the purposes of this report the term “automated” does not mean a task is managed without human interaction. Instead, automated export management means a company is employing a substantial amount of technology to support its export operation, allowing staff to interact where necessary to solve problems and optimize the process. Similarly, the term “manual” does not mean the process is managed without the use of computers, Internet access, or other fundamental business tools. It's assumed that companies managing exports manually employ spreadsheets and other support tools.



**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)**—Global Trade Management 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.

#### **REGULATORY AGENCIES, REGULATIONS AND THEIR ACRONYMS:**

**Automated Export System (AES)**—System used by U.S. exporters to file Electronic Export Information (EEI) and ocean manifest information directly to U.S. Customs and Border protection.

**Bureau of Industry and Security (BIS)**—The Bureau of Industry and Security (BIS) is an agency of the U.S. Commerce Department and its mission is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS is led by the department's undersecretary for industry and security.

**Commodity Classification Automated Tracking System (CCATS)**—Alphanumeric code assigned by the Bureau of Industry and Security to products governed by Export Administration Regulations.

**Directorate of Defense Trade Controls (DDTC)**—Under the U.S. Defense Department, the Directorate of Defense Trade Controls is charged with controlling the export permanent and temporary import of defense articles and defense services covered by the U.S. Munitions List (USML).

**Export Administration Regulations (EAR)**—The EAR is issued by the U.S. Commerce Department's Bureau of Industry and Security (BIS) under laws relating to the control of certain exports, re-exports, and activities, known as dual-use commodities (Title 15 of the Code of Federal Regulations Parts 730 through 774). Dual-use commodities can be used for both commercial and military or other strategic applications.





**Export Control Classification Number (ECCN)**—A code issued by the Bureau of Industry and Security that defines the level of export control for items exported from the U.S. and other member states of the Wassenaar Agreement.

**International Traffic and Arms Regulations (ITAR)**—These are the U.S. State Department’s export control regulations for defense-related articles and services.

**Office of Foreign Assets Control (OFAC)**—The Office of Foreign Assets Control (OFAC) of the U.S. Treasury Department administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

## **HYPOTHESIS**

*American Shipper* approaches each benchmarking exercise with a set of assumptions to prove or disprove. In the case of this study these include:

- i. Export specialists will experience increased demand to engage with key functional groups at their companies or outside consultants during the economic downturn, as a result of cost reductions, improved efficiencies and management adversity to risk. (See figures 13 and 14)
- ii. Exporters will increase their investment in resources in terms of both technology and human resources as a result of stepped-up enforcement activities, a national focus on export-driven economic growth and anticipation of export reform. (See figures 25 and 26)
- iii. Exporters managing products governed by ITAR will heed the call from last year’s report by adopting systems-based export operations and compliance management. (See figure 24)

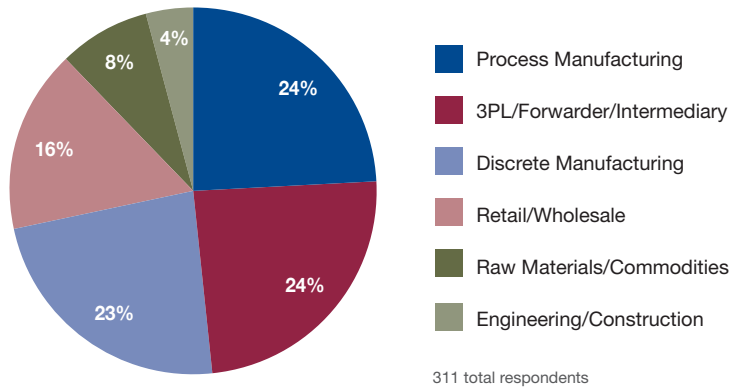


## DEMOGRAPHICS

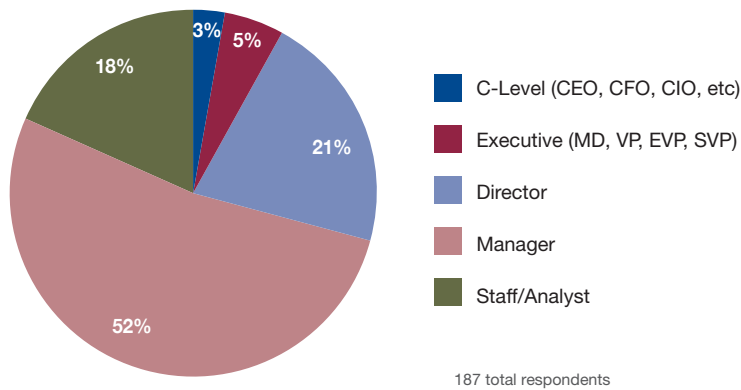
Survey participants include a cross section of U.S. exporters, including 3PL/intermediaries (24 percent), process and discrete manufacturers (24 and 23 percent respectively) and retail/wholesale (16 percent). Raw materials, commodities, construction, and engineering are presented as one group (“other”), representing 12 percent of the total response.

As expected, respondents’ job titles center around manager level for about half of the response base. Surprisingly, compliance tends to have little executive attention or interaction compared to other supply chain functions and that shows here.

**FIGURE 1: Industry Segments Represented**



**FIGURE 2: Job Levels Represented**

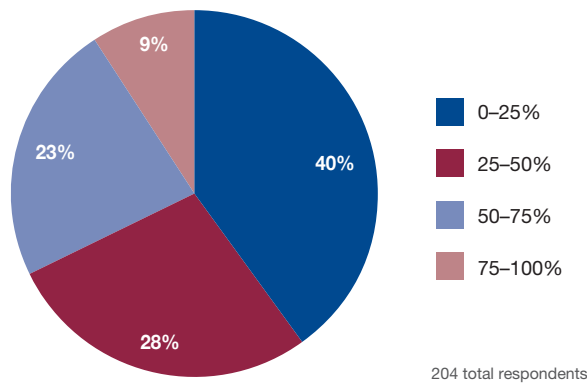


This study looks at the size of the exporter based on how important exports are to their business instead of looking at overall company size. For the purposes of this study large exporters (32 percent of the population) report that more than half of their company's revenue comes from exports. Medium-sized exporters (which account for 28 percent) rely on exports for 25 to 50 percent of revenue. Small exporters with 25 percent of their business coming from exports account for 40 percent of the study population. Seeing as this survey was promoted to likely participants as an export related project, it's safe to assume that all participants have at least some exposure to the export business.

Similarly this study looks at two categories of exporters based on the regulatory scrutiny they have to manage. Forty-three percent of the total respondents report the products they export are governed entirely by Export Administration Regulations (EAR) while the remaining 57 percent are subject to International Traffic and Arms Regulations (ITAR), a more stringent set of rules. This comparison is an important theme throughout the report as EAR and ITAR exporters have drastically different needs when it comes to reform, operations and technology.



**FIGURE 3: My Company is Already Benefitting From Export Reform**



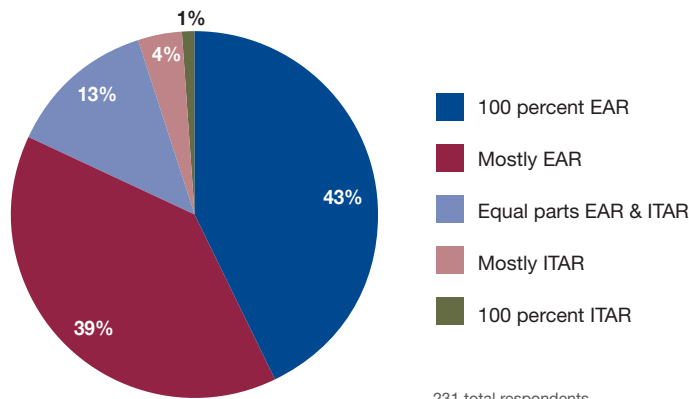
## Section II: U.S. Export Regulatory Reform

The majority of survey respondents have exports which are primarily subject to the Commerce Department's Export Administration Regulations (EAR) jurisdiction, rather than to State Department's International Traffic in Arms Regulations (ITAR).

Equally 47 percent of firms subject to either the EAR, or ITAR, indicate they are not certain that they are yet experiencing tangible benefits from export reform. This seems to conflict with anecdotal evidence that classification requests are being processed more quickly, and some regulatory areas such as encryption, have reduced reporting requirements, and changed requirements for when a formal CCATS must be obtained.

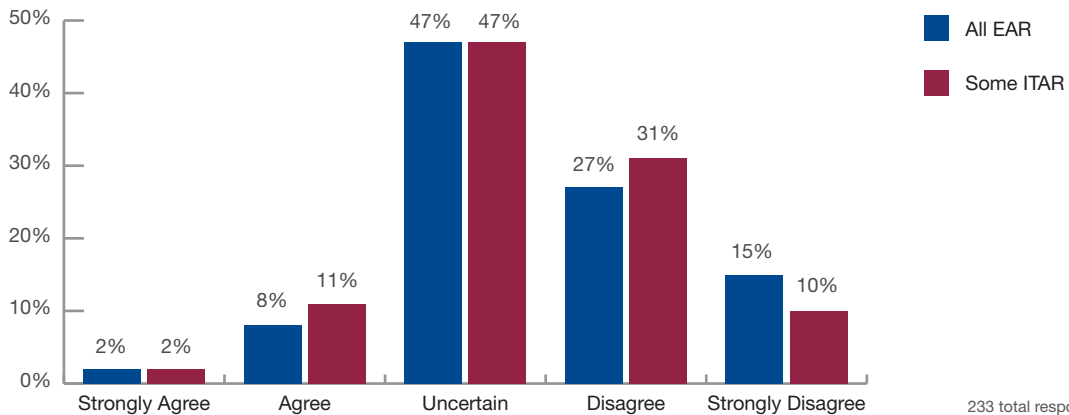


**FIGURE 4: EAR vs. ITAR Controlled Exporters**



231 total respondents

**FIGURE 5: Benefitting from Export Reform**



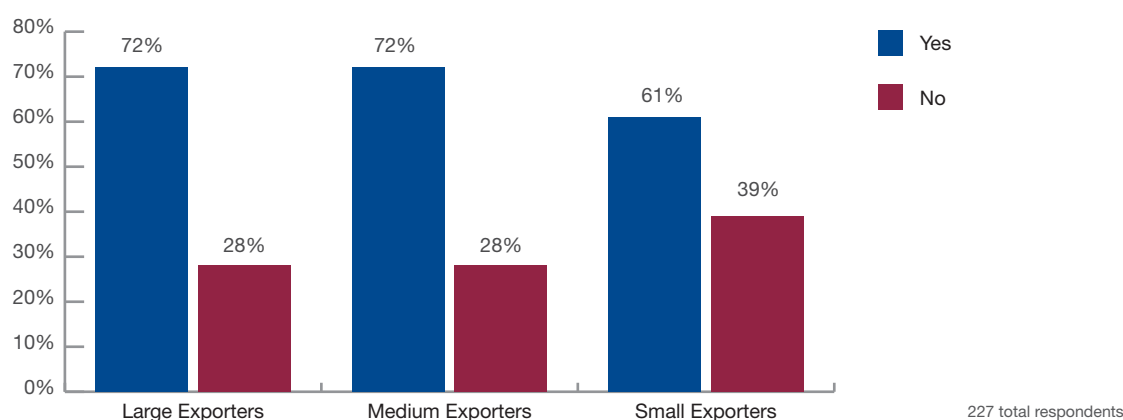
233 total respondents



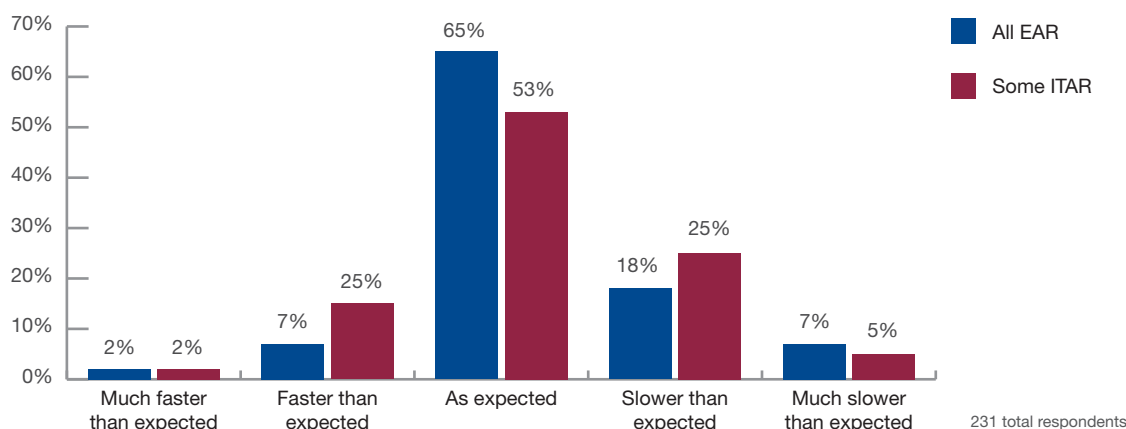
For the most part, exporters view the Obama administration's newly established Export Enforcement Coordination Center (EECC) as a positive addition. This is despite the EECC's mission to act as a conduit for coordination of interagency enforcement matters regarding violations of U.S. export control laws. Future feedback from the export community may change if enforcement actions are perceived to have dramatically increased as a result of the EECC's creation.

More than half of exporters—probably based on past experience with regulatory changes—feel the perceived pace of change is as expected under Export Reform, while a number of the remaining respondents indicate change is slower or much slower than expected. This may be a result of the initial fanfare surrounding the proposed changes—expectations of a swifter timeline may have been inferred.

**FIGURE 6: Is the Export Enforcement Coordination Center (EECC) Effective?**



**FIGURE 7: Perceived Speed of Export Reform**

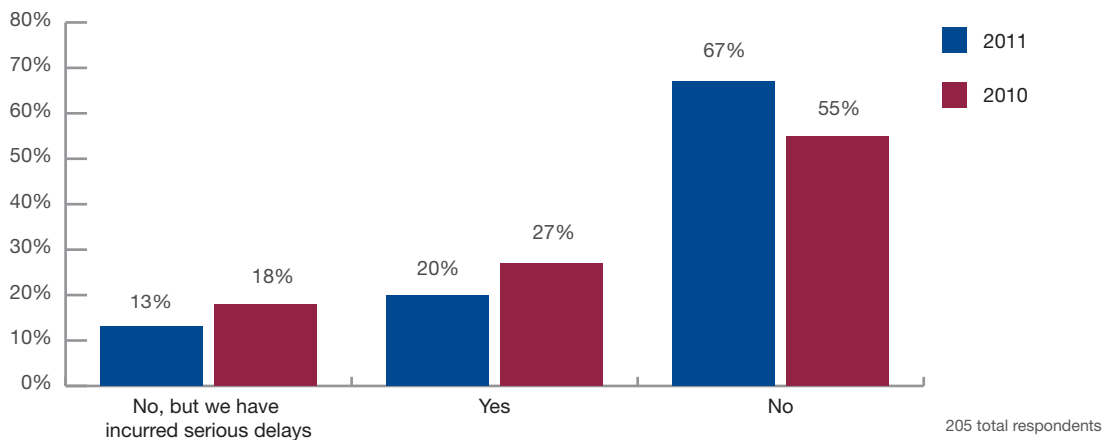




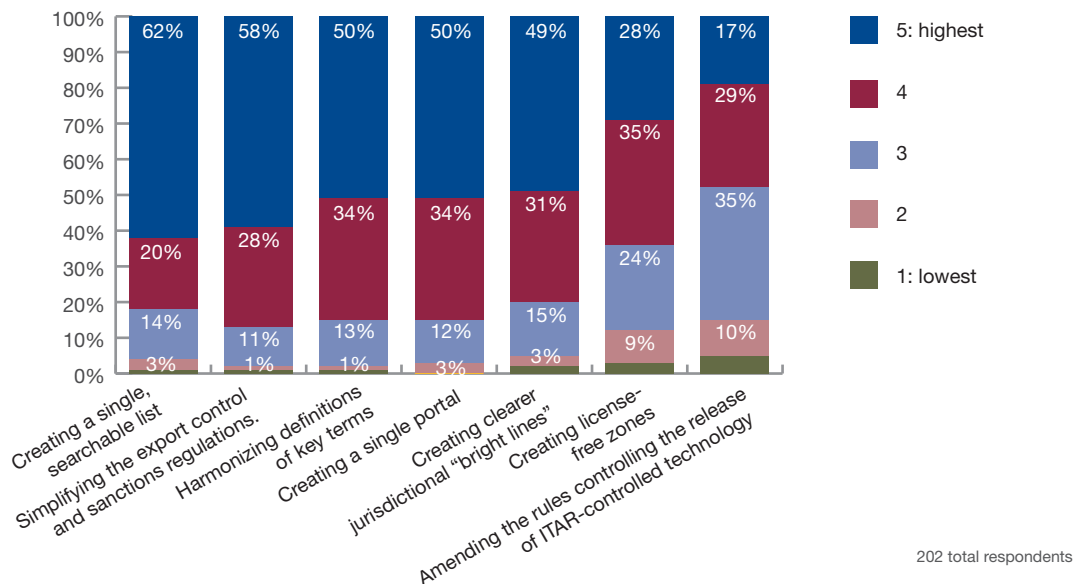
On a positive note, respondents experienced a 7 percent reduction in lost sales due to ITAR regulations as compared to last year’s study, and delays have gone down by 5 percent. Perhaps interagency pressure to increase exports has had a slight impact while reform activities are being implemented.

To the trade community, creating a single searchable list is the most important element of export reform. Understandably, having one list to utilize will be a significant improvement in managing export risk. The second most important element to the trade—simplifying export control and sanctions regulations—will likely be a much more complex task, with multi-year incremental improvements.

**FIGURE 8: Have You Lost a Sale Due to ITAR Regs?**



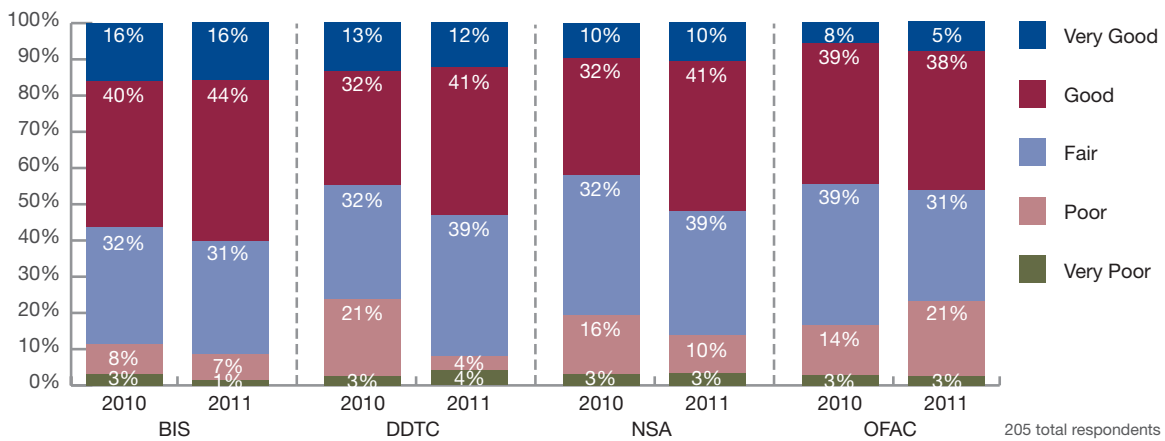
**FIGURE 9: Importance of Export Reform Elements**



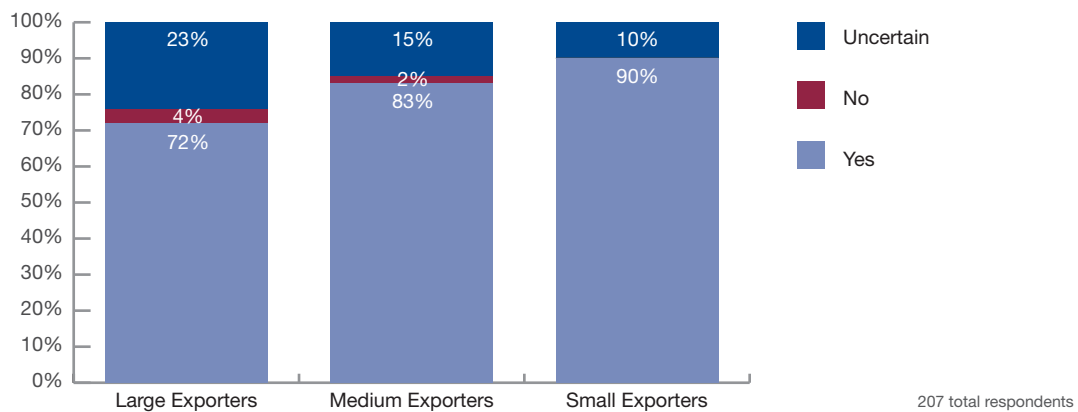
Compared to 2010 perception of effectiveness of government agencies in processing licenses ranked as “good” has seen an incremental increase. This seems to align with anecdotal evidence of some improvements experienced in processing times that may be a result of top-down pressure to improve U.S. exports.

The majority of exporters, no matter their size, desire a single combined regulation for export controls. Certainly managing one regulatory source will be easier to execute operationally. Interestingly, larger exporters are a bit uncertain likely because they have huge investments made in resources (systems, people, and processes) which are built round multiple regulatory regimes and may need to be dismantled and rebuilt.

**FIGURE 10: Effectiveness of Licensing Agencies—'10/'11**



**FIGURE 11: Desire for a Single Combined List**



## Section III: Export Operations & Compliance Management

Survey results indicate the typical respondent exports to 38 countries with almost 9 FTE resources tasked to export management. With the volume of classifications/licenses being processed appearing fairly low, one can infer the majority of time is spent on operational tasks, including export screening, documentation, and analysis of potential license exceptions available.

The majority of export teams continue to report to transportation, logistics, traffic, and operations, despite the guidance, and more recent trend, to have export compliance personnel report to a function whose goal is risk mitigation, rather than to the function which is responsible for (and incented to) get products out the door.

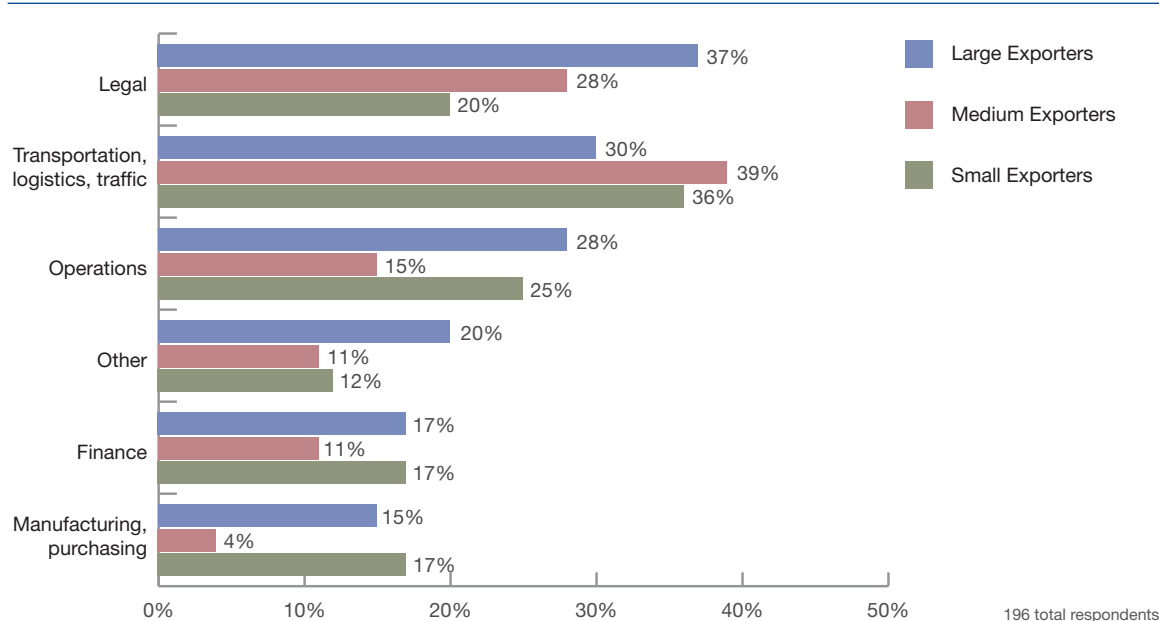


**FIGURE 12: Exporter’s Productivity Table**

	Countries	FTE	BIS Snap-R/Year	DDTC/Year	OFAC/year
Study Average	37.46	8.80	10.72	4.98	0.64
Discrete Manufacturer	38.50	6.07	12.09	4.43	0.58
Process Manufacturer	29.73	6.15	8.11	3.38	0.59
Retail/wholesale	22.70	4.03	2.65	0.18	0.07
Other Shippers	32.05	20.43	7.44	1.35	2.28
3PL/Intermediaries	59.03	22.80	2.89	0.89	0.38

202 total respondents

**FIGURE 13: Export Operations and Compliance Reports To**

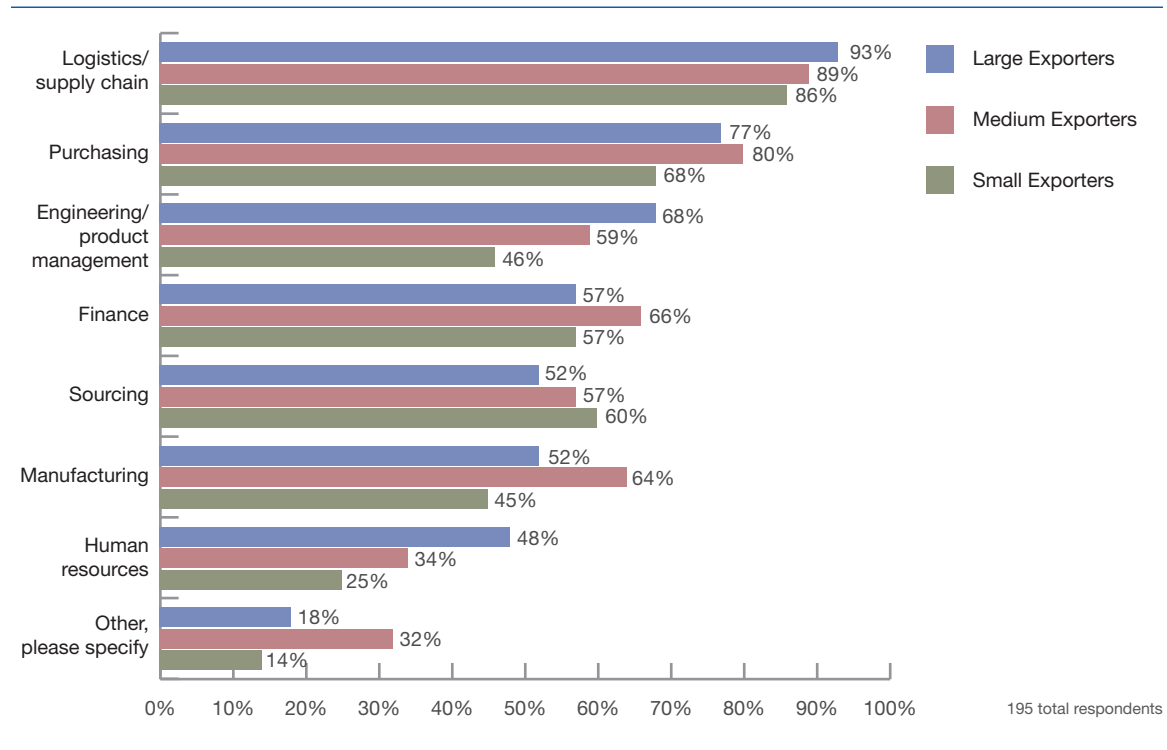


196 total respondents



As expected, export personnel meet frequently with logistics and supply chain functions, but interestingly much less with manufacturing, sourcing, and engineering. This is a bit unexpected, as export personnel should meet regularly with sourcing and manufacturing functions due to regulatory impact and potential for cost reductions. Additionally, one would expect they meet with engineering frequently on product classification.

**FIGURE 14: Export Team Frequently Meets With**



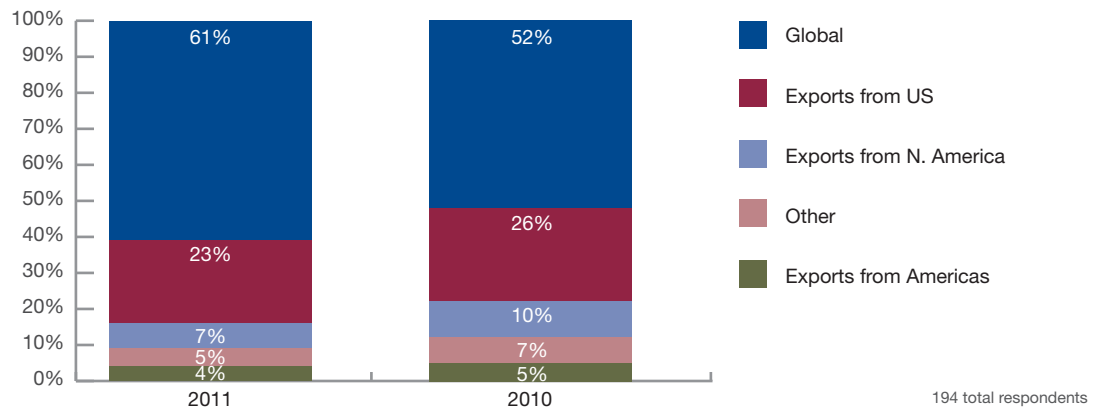


The majority of respondents either had global oversight or responsibilities for exports from the United States whether subject to the EAR or ITAR. This is a fairly typical representation for this function.

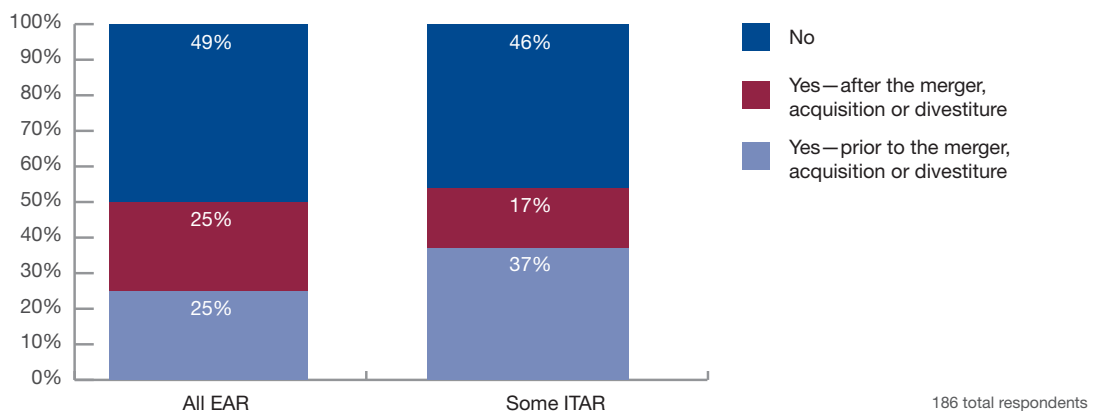
Survey results suggest that export managers are going global. Sixty one percent of respondents have a global responsibility compared to 52 percent in 2010. As domestic opportunities evaporate, U.S. firms are finding focus on global expansion is what keeps their business viable.

Despite regulatory risk, it appears export personnel continue to not be included in strategic conversations regarding mergers, acquisitions and divestitures either prior to such activities taking place, or at all. In this era of increasing enforcement activities, the executive team should engage the export team to conduct due diligence prior to making strategic decisions which may have a trade compliance impact.

**FIGURE 15: Scope of Responsibility**

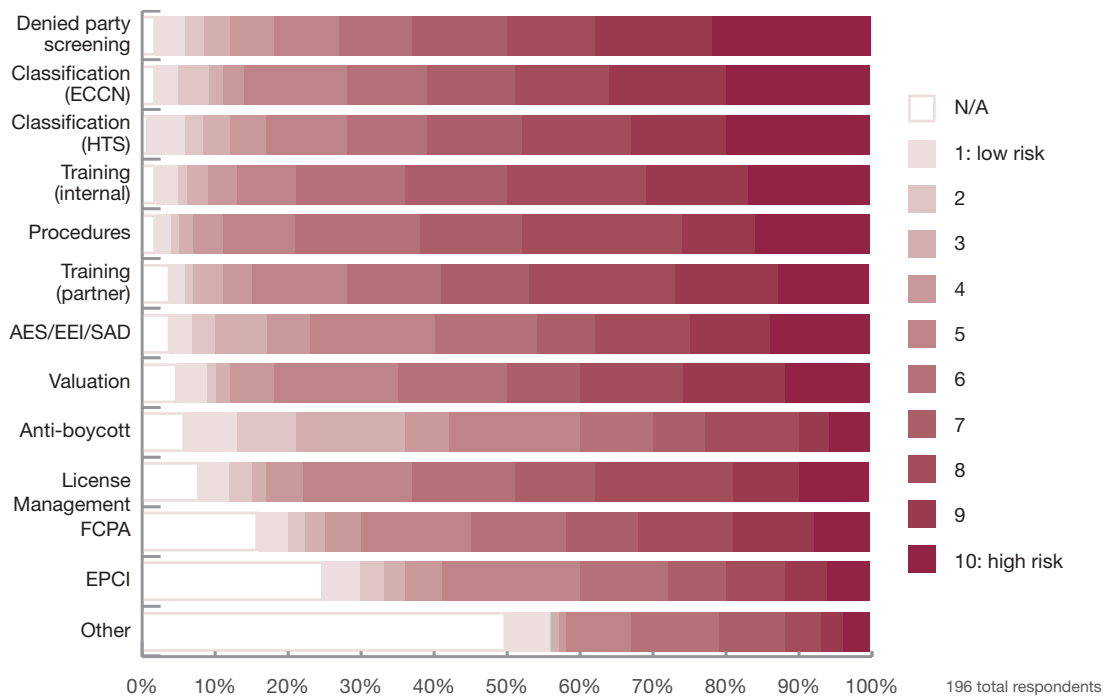


**FIGURE 16: Is Export Compliance Included in Strategic Discussions?**



Denied party screening is the perceived area of highest risk to U.S. companies. Despite the opportunity to automate this task fully, the survey results seem to indicate most firms have either not automated, or do not trust their system to operate properly to capture truly denied parties. Proper classification of ECCNs (Export Control Classification Numbers) and Harmonized Tariff Schedule numbers are in second and third place for perceived risk, which are processes that cannot be fully automated, and require expertise of personnel.

**FIGURE 17: Perceived Areas of Highest Risk**

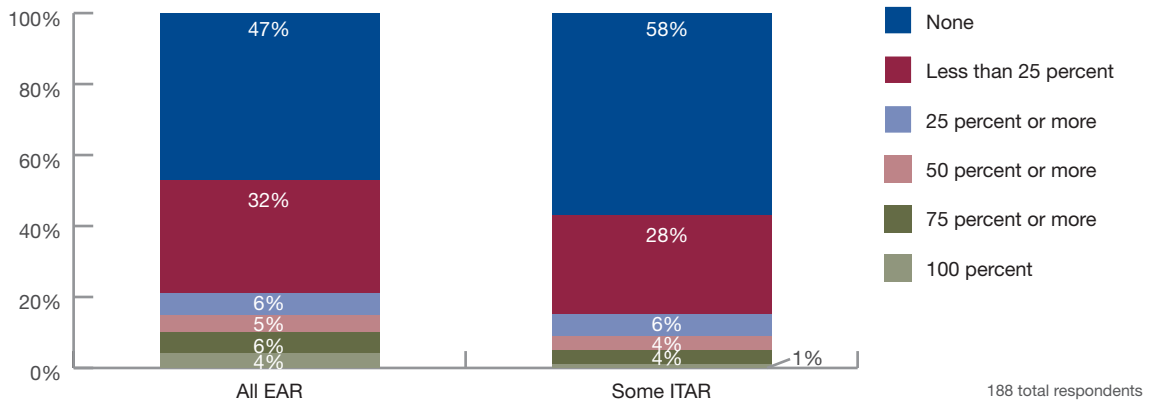




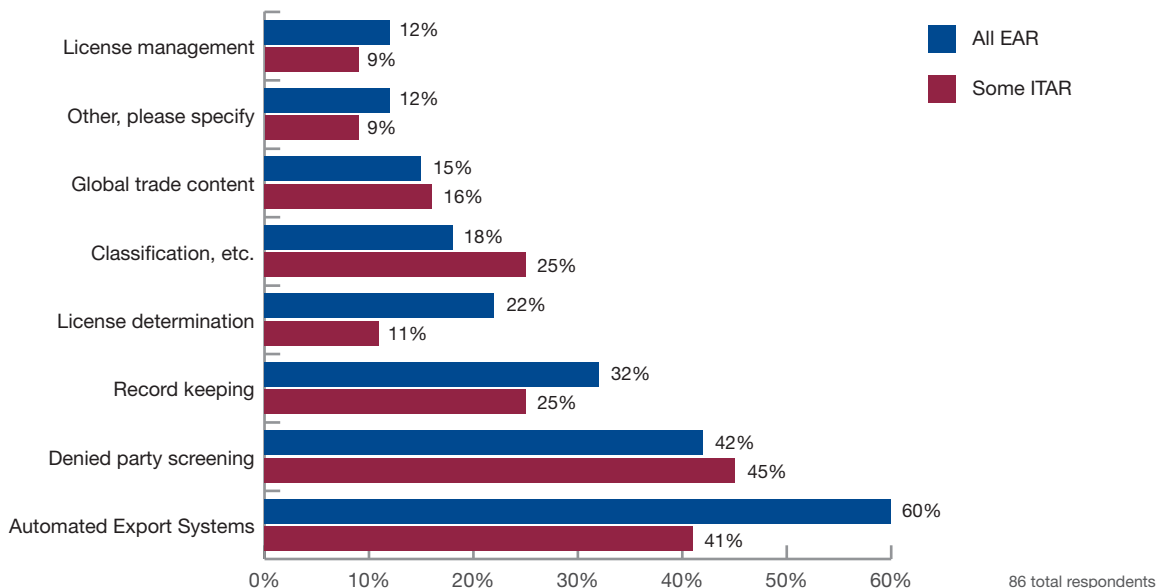
This year's study shows a 3 percent increase in companies managing export compliance fully in-house to 54 percent. Conversely, there was a 3 percent increase in firms which outsourced more than 75 percent of this function. Overall, despite the economic downturn, there is no indication of a trend of outsourcing to reduce internal headcount expense. This is most likely due to minimal staffing levels at export compliance organizations following the most recent recessions.

ITAR exporters show a general trend of keeping more functions in-house as compared to EAR exporters, with 58 percent keeping all activities in-house. This is due to the high level of control that companies must maintain over ITAR products.

**FIGURE 18: Percentage of Export Compliance Work Outsourced**

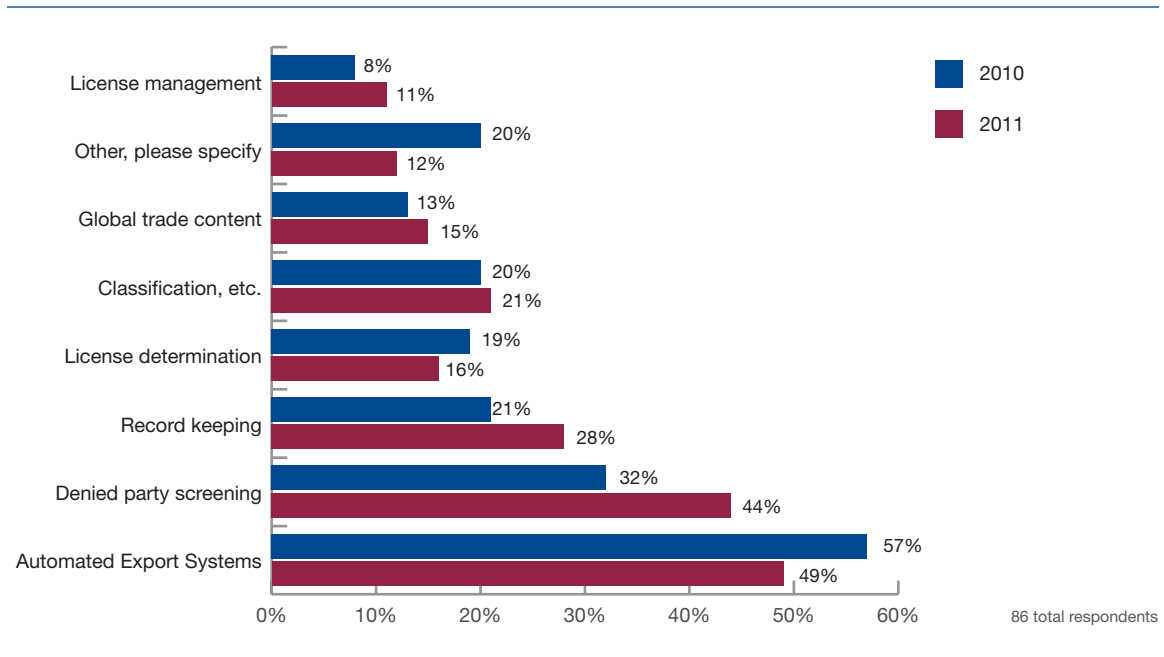


**FIGURE 19: Export Compliance Functions Outsourced**



Study results show a reduction in Automated Export System (AES) outsourcing by 8 percent, and increase in denied party screening outsourcing by 12 percent. The AES change may be due to suggested guidance that the exporter control its AES filings, as the “exporter of record” rather than rely on their carrier, due to risk. This continues to be an area with high error rates and increased enforcement by U.S. Customs and Border Protection. Denied party screening being increasingly outsourced may have experienced an uptick due to increased outsourcing of the order entry function, which may also include this activity.

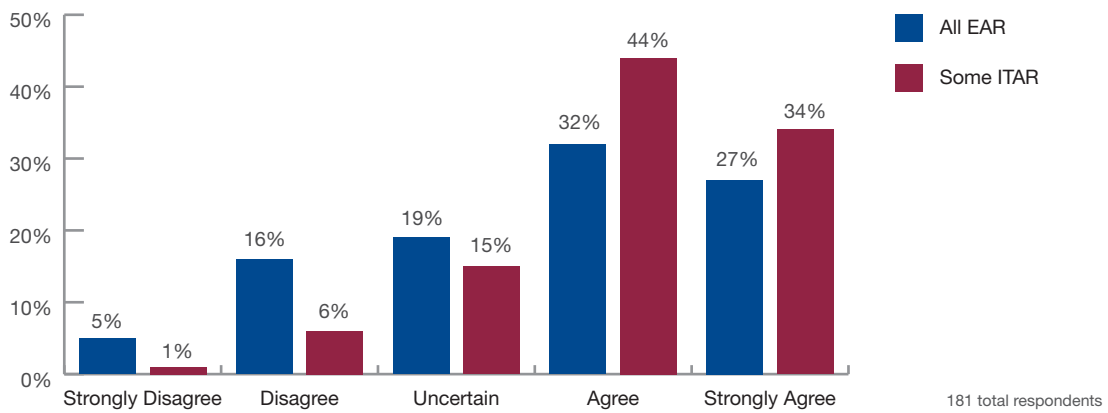
**FIGURE 20: Export Compliance Functions Outsourced—2010 vs. 2011**



## Section IV: Export Operations & Compliance Technology

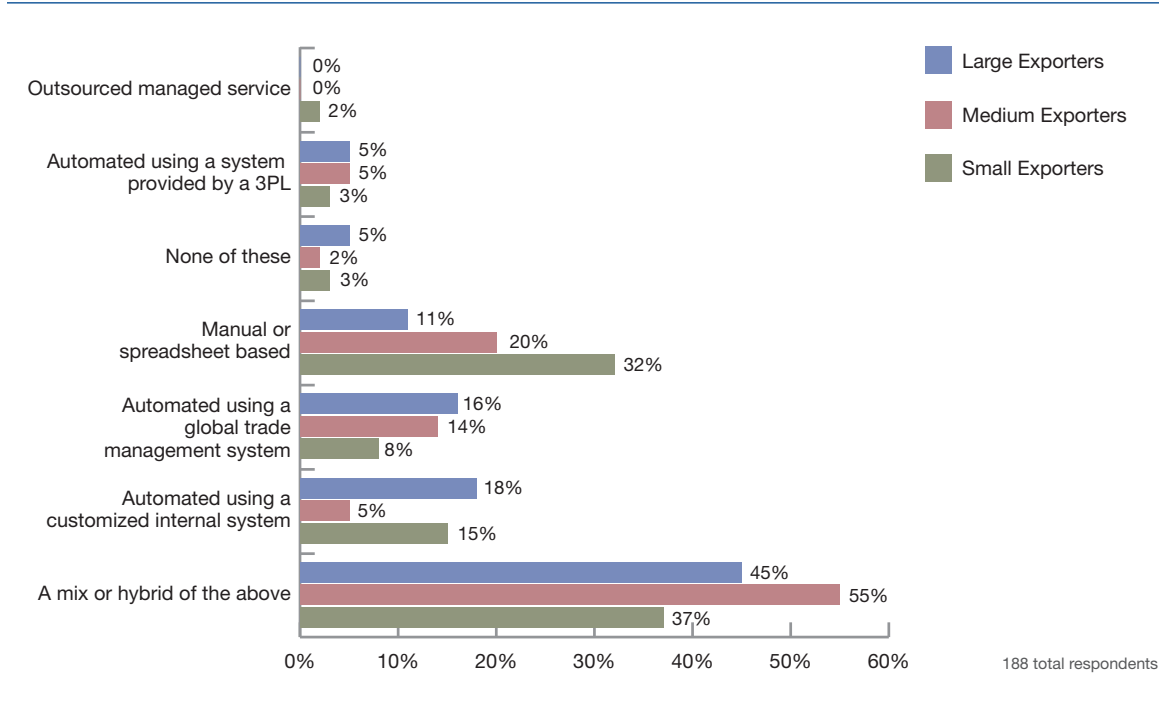
Seventy percent of respondents “agree” or “strongly agree” that global trade management systems are a strategic investment for their firm. Exporters who manage products governed by ITAR are even more convinced which isn’t surprising considering the severity of the penalties related to ITAR infractions. In short, GTM systems are a strategic risk mitigation tool and the majority of exporters see them as an essential component of their global strategy.

**FIGURE 21: “GTM Systems Are a Strategic Investment”**



Small exporters are far more likely to manage operations and compliance manually whereas their larger counterparts more frequently leverage a system of some kind. Interestingly, medium-sized exporters are most likely (55 percent) to employ a mixed or hybrid approach, using systems and manual processes in concert.

**FIGURE 22: Current GTM Platform**



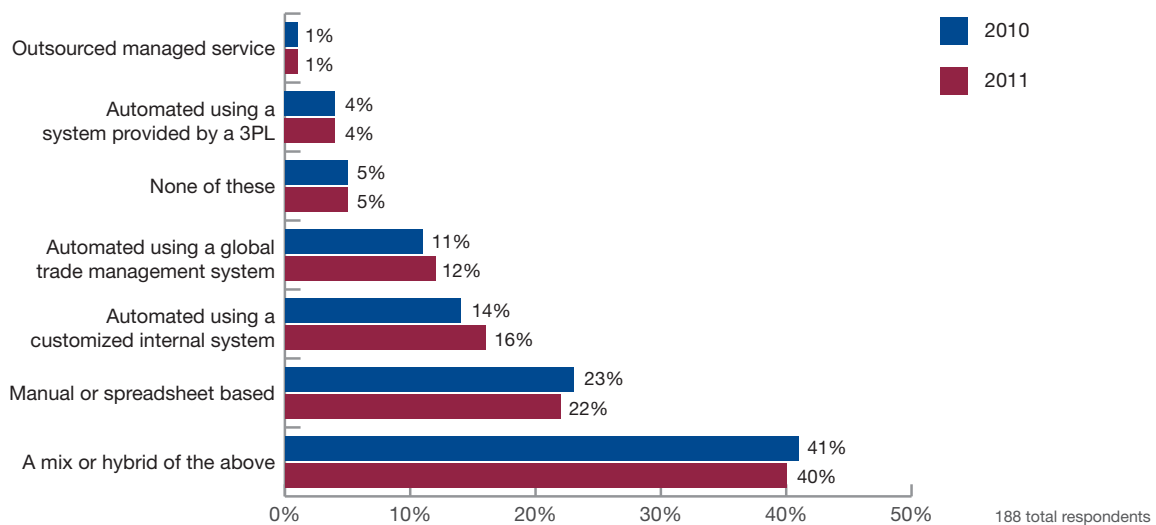


On the surface, not much has changed in the market for GTM systems from last year. Perhaps there was a slight shift from a hybrid model to a systems-based model, but it's not as significant this year. This may be a result of companies who have acquired a GTM system but have not completed implementation.

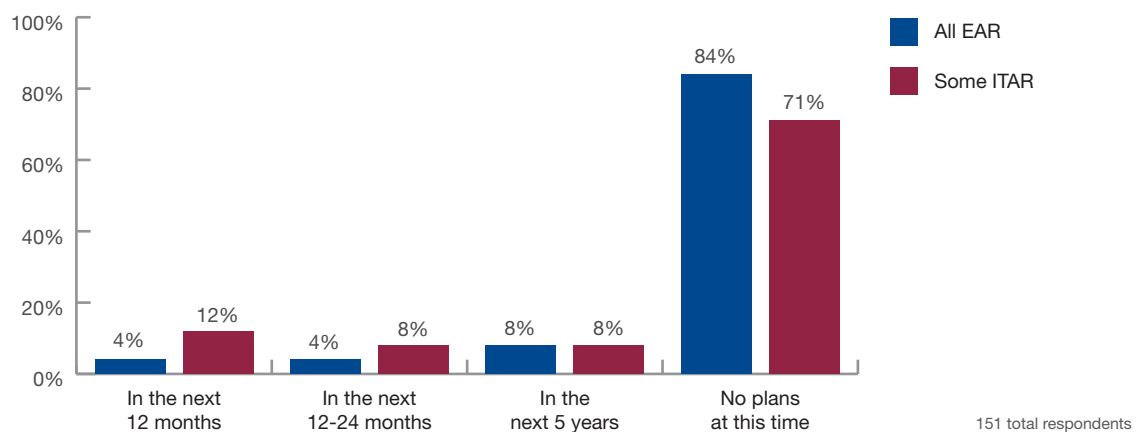
Looking a level deeper, survey respondents that manage ITAR products are more than twice as likely (20 percent compared to 8 percent) to be in the market for systems in the next 24 months.

While the market for GTM systems on the whole remains relatively stable year-to-year the activity in the ITAR exporter segment supports the hypothesis at the outset of this report.

**FIGURE 23: GTM Platform—2010 vs. 2011**



**FIGURE 24: Plans to Purchase GTM Systems**

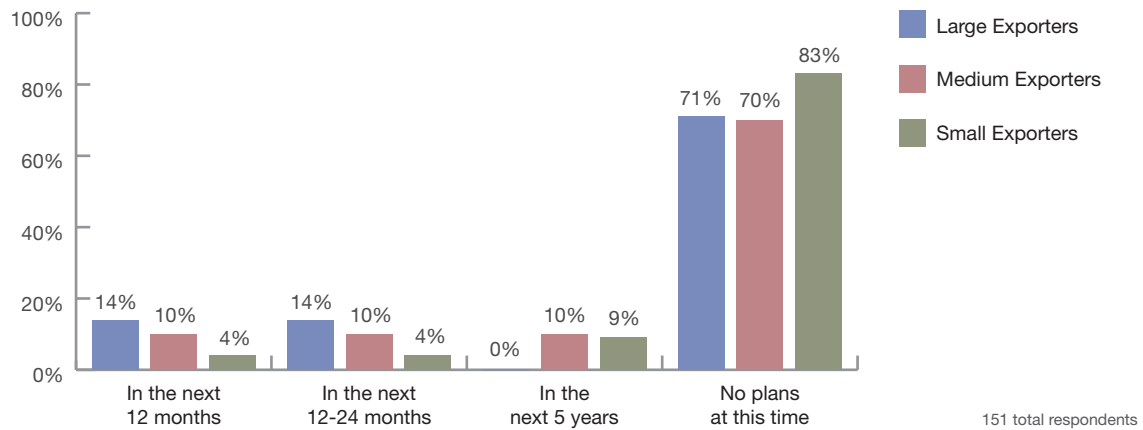




Likewise large exporters are considerably more likely to shop for GTM systems now or in the near future. However, small and medium-sized exporters are not exempt from risk or enforcement activities.

Similar to last year, our exporter's productivity table shows that systems-based exporters serve more destinations and manage more regulatory filings than their manual-based peers. These automated exporters are doing it with more than twice as many FTEs, suggesting that these organizations are larger exporters. In addition, it's probable that the GTM systems these exporters are employing allow more departments and employees to touch the export process, leading to improved visibility to the global trade process on an end-to-end basis.

**FIGURE 25: Plans to Purchase GTM Systems by Company Size**



**FIGURE 26: Exporter's Productivity Table**

	Countries	FTE	BIS Snap/Year	DDTC/Year	OFAC/Year
3PL/Intermediaries	59.03	22.80	2.89	0.89	0.38
Automated Exporters (Ex 3PL)	40.00	7.53	13.13	6.17	0.92
Manual Exporters (Ex 3PL)	16.38	3.10	10.94	2.39	0.22

202 total respondents

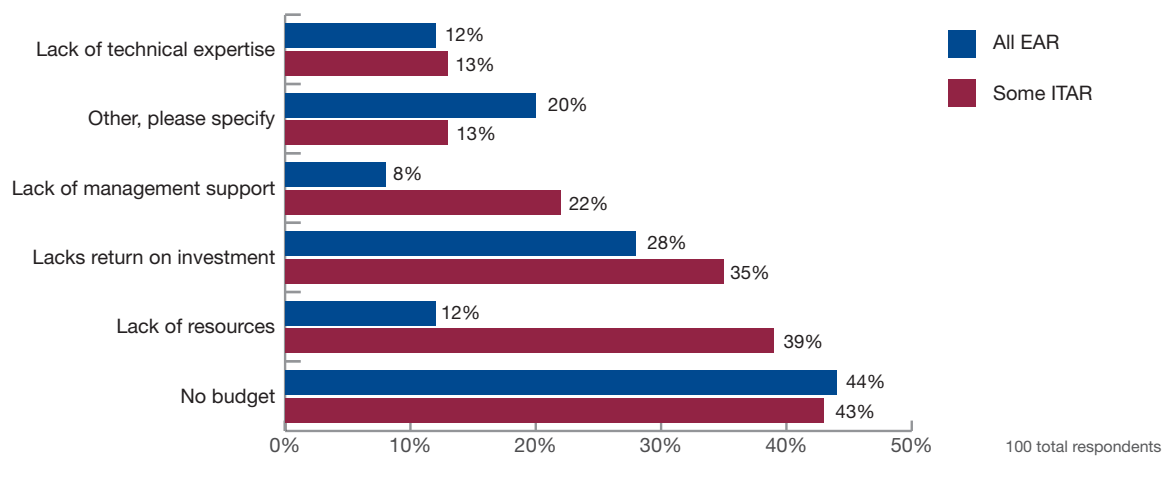




Lack of budget remains the No. 1 inhibitor for exporters to invest in GTM systems. This seems to be the theme in compliance-related markets where management does not see the activity as a strategic priority and subsequently does not invest in it. This suggests that compliance functions are not clearly mapping department objectives to corporate objectives such as reduced cost, increased profit, return on investment, competitive advantage, and customer satisfaction, when such ties clearly exist.

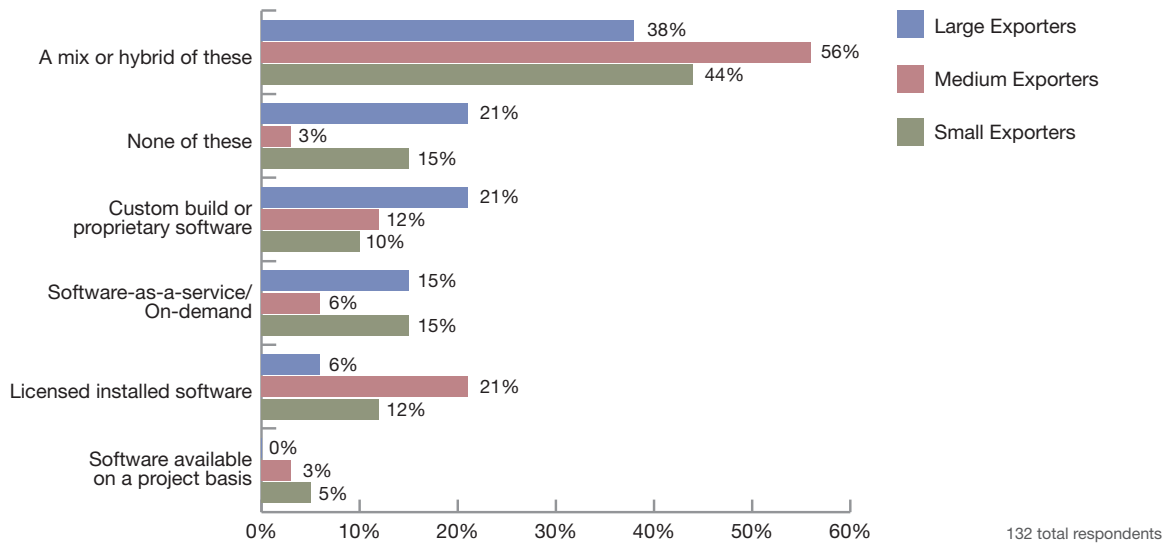
For all exporters, and ITAR exporters in particular, failure to invest in GTM systems can be very dangerous as the penalties for non-compliance can be financially threatening. Non-compliance with global trade laws or other global trade policies, can subject companies, their affiliates, as well as their officers, colleagues, and agents, to criminal and civil penalties, seizure of assets, denial of export privileges, suspension or debarment from government contracts, as well as damage to the company's public image and its ability to fulfill its commercial and humanitarian goals. It is concerning that ITAR exporters are just as likely to have no budget for systems investments as their EAR exporter counterparts who have potentially lower risk exposure.

**FIGURE 27: Inhibitors to Investment in Systems**



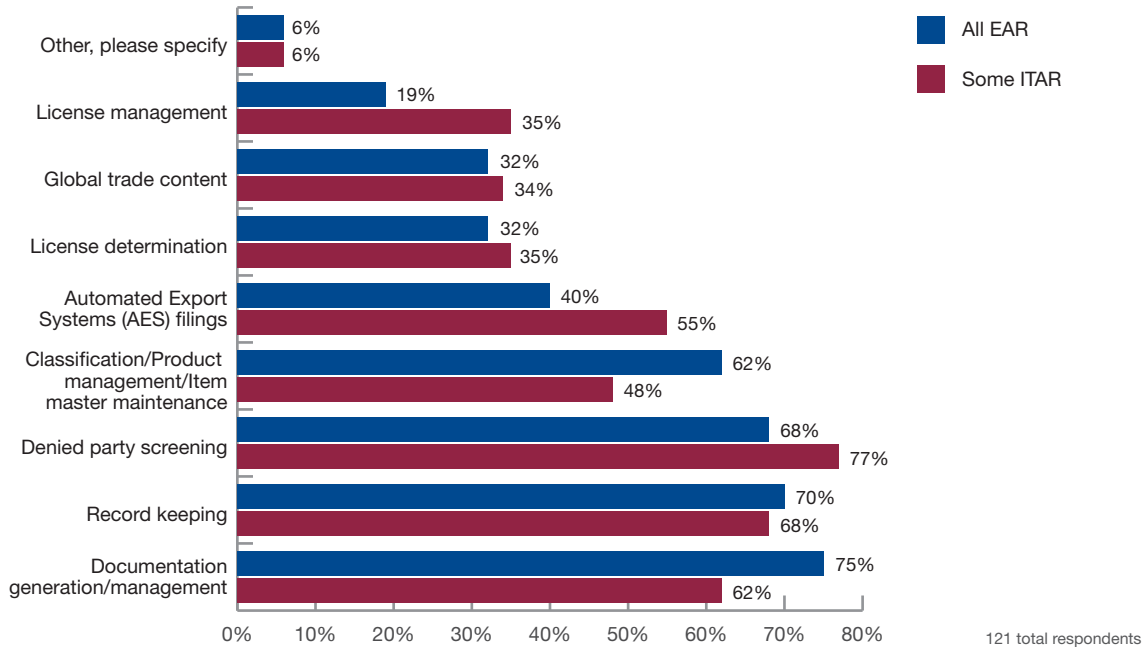
A mixed or hybrid approach to GTM remains the norm when it comes to system delivery models. Large companies appear to have a bit more conviction in choosing a system built in-house or delivered on-demand in lieu of a mixed model. We are still seeing the highest levels of GTM adoption in the area of denied party screening.

**FIGURE 28: Change Export System to GTM System**



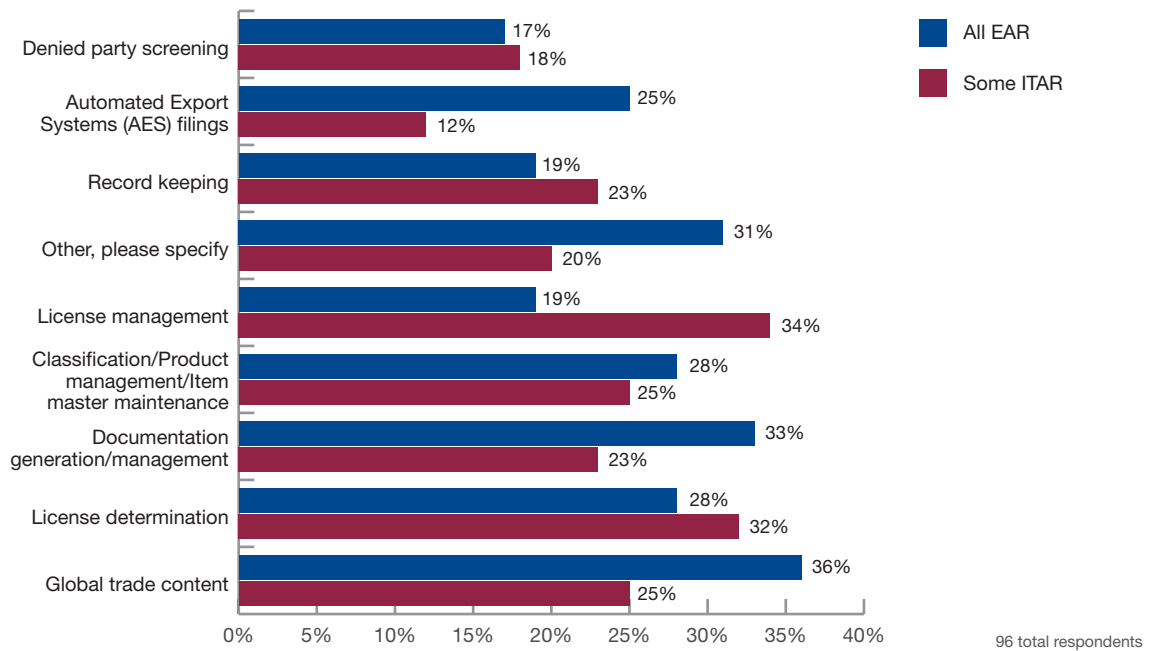
It is not surprising that basic functionality, such as documentation and record keeping, is widely available to exporters leveraging GTM systems. It is interesting to see that ITAR exporters are less likely to use systems for documentation and classification, while they are more likely to employ denied party screening, AES filing and license management technologies.

**FIGURE 29: Current GTM Functionality**



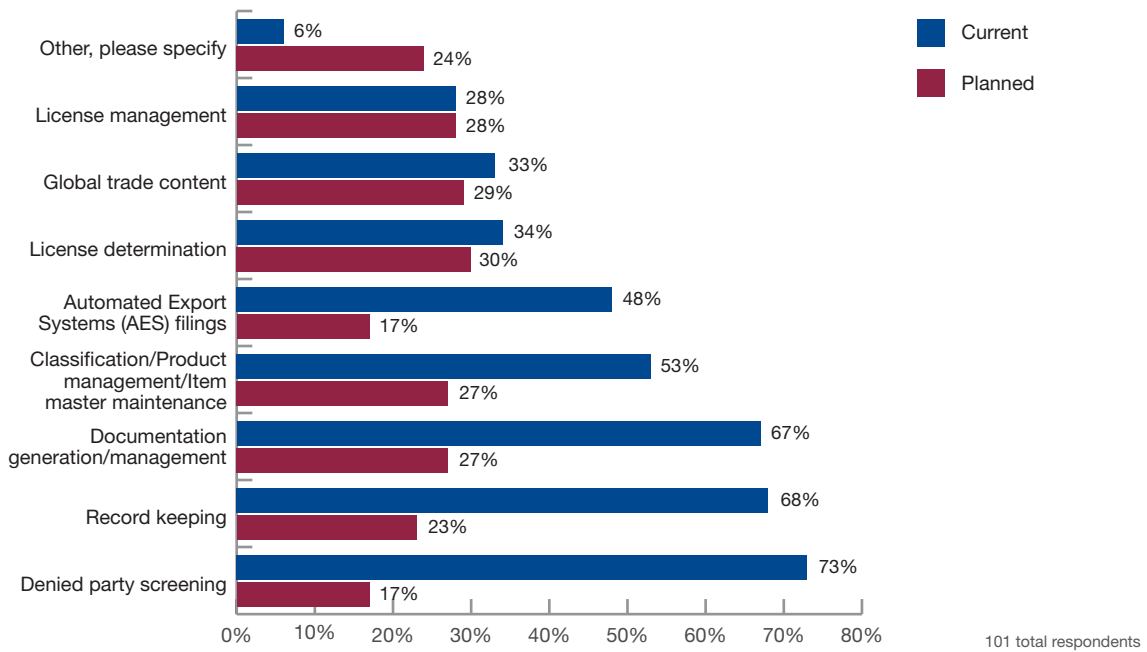
Looking forward to planned technology purchases or upgrades, exporters from the EAR and ITAR camps differ widely in their needs. EAR exporters appear interested in functionality across the board, whereas their ITAR counterparts are focused on license determination and management functions.

**FIGURE 30: Planned GTM Functionality**



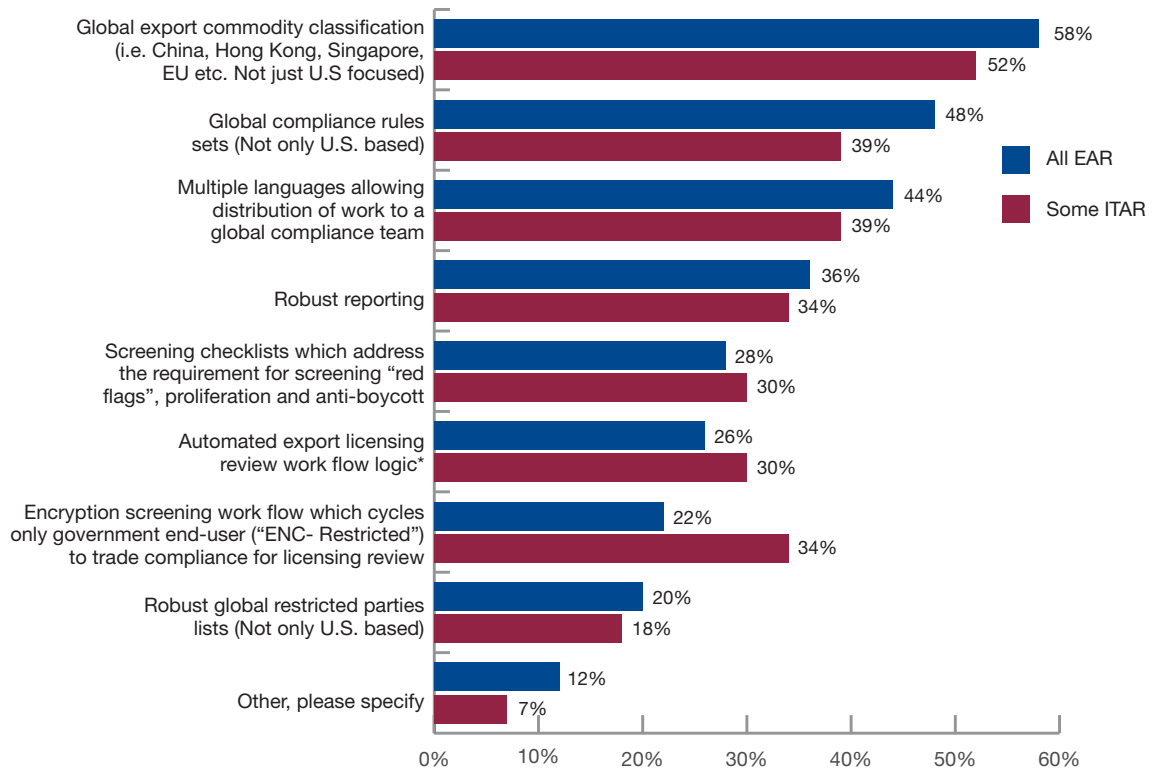
Comparing the average figures for functions that are currently available against those that exporters are planning to purchase show that the greatest opportunities—lowest current and highest planned—revolve around global trade management, license determination and management. Those ITAR exporters that are moving the market today are trying to fill these gaps to manage their risk exposure.

**FIGURE 31: Current vs. Planned GTM Functionality**



Exporters of all kinds are looking for global solutions as their companies—and increasingly their careers (see figure 15)—go global. Systems developers should pay attention to this. The money in GTM systems in the future will be in global systems designed to help high-risk exporters manage their operations in a compliant fashion.

**FIGURE 32: Desired GTM Functionality**



\* Reduces need for compliance review by refining hits to what actually requires an export license, not flagging an entire ECCN

121 total respondents



## Section V: Key Themes & Best Practices

### HOW TO USE THIS STUDY

Measure your organization against this benchmark. Readers should review the information presented in this study carefully and at each section ask themselves:

- How would I have answered these questions?
- Where would my answers place my organization? Am I in-line with my peers or am I lagging behind my peers?
- What steps can I take to educate my organization on the issues impacting exporters today?
- What must I do to ensure that export reform positively affects my organization?

28



Participate in the reform process. It is essential that you represent your company and industry. You and your senior management should communicate to the federal agencies chartered with reform, the White House and Congress, to make sure that they understand the best path forward for reform as they continue to engage the trade to ensure reform activities are meeting expectations as they are implemented.

The government assures us that they intend to reach out to the trade on this issue and you should be prepared to participate. Additionally, your trade associations are not waiting for an invitation to provide an opinion; they are advocating on your behalf on a regular basis with the agencies. It is important to be responsive to surveys, and other requests for information as the reform takes shape.



## BEST PRACTICES

Based on the survey results and subsequent analysis, *American Shipper* and BPE suggest exporters take the following steps to align their export practices with best-in-class operations:

- **Be informed**—Actively monitor export control reform announcements from BIS, DDTC, and other agencies, as well as non-governmental publications such as *American Shipper*.
- **Be prepared**—Understand the implications of proposed reform activities. Is your company prepared for consolidated export regulations and a single U.S. export IT system? How will this impact existing processes, procedures, systems and personnel?
- **Communicate**—Share export reform activities, which are proposed or implemented, that may impact your business operations with your senior management.
- **Be responsive**—When the U.S. government issues a proposed rule or seeks industry feedback make sure to respond. Otherwise, be prepared to live with regulatory changes which may not be conducive to your operation. Participate in your trade associations' export committees and prepare comments on the reform activity to date. Plan on joining industry working groups convened by the government agencies chartered with reform, as well as those formed by your trade associations.
- **Be accountable**—Export management and related compliance functions should have accountability to legal in addition to the transportation and operations departments they traditionally report to.
- **Strategize**—Establish a global trade strategy and ensure you frequently meet with key departments within your company including transportation/logistics, legal, operations, finance, manufacturing/purchasing, IT, and sales
- **Automate**—All exporters should consider a systems-based management platform but particularly those subject to ITAR regulations. Exporters servicing a large network of destinations should consider technology as a tool to manage complexity as well as mitigate risk.



# Appendix A: Index

## RESOURCES

- i. [White House Chief of Staff Daley Highlights Priority for the President's Export Control Reform Initiative](#)—July 19, 2011
- ii. Federal Register—[Proposed Revisions to the Export Administration Regulations \(EAR\): Control of Items the President Determines No Longer Warrant Control Under the United States Munitions List \(USML\) 76 FR 419858](#)—July 15, 2011
- iii. View the webcast of the Hearing on “[Export Controls, Arms Sales, and Reform: Balancing U.S. Interests, Part I](#)” Statement of Eric L. Hirschhorn, Under Secretary of Commerce—May 12, 2011
- iv. Report to Congress on the [Department of Defense's Plans to reform the Export Control System](#) May 2, 2011
- v. [Bureau of Industry & Security Annual Report to Congress Fiscal 2010](#)—January 14, 2011
- vi. Government Accountability Office—Report issued on [Export Controls: Agency Actions and Proposed Reform Initiatives May Address Previously Identified Weaknesses, but Challenges Remain](#) November 16, 2010
- vii. Export.gov's [Export Control Reform Home Page](#)
- viii. BPE Global Hot Topic—August 31, 2011 [Defining Global Trade Automation Requirements](#)
- ix. BPE Global Hot Topic—April 29, 2011—[Developing a Systems Strategy; Part 1](#)



## Appendix B: 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 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](http://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 C: About Our Sponsors



### **CDC TRADEBEAM**

CDC TradeBeam streamlines global trading processes for enterprises and their partners. Comprehensive, integrated solutions delivered via the on-demand SaaS model provide import and export compliance, collaborative inventory management, shipment tracking, supply chain event management, and global trade finance solutions.

TradeBeam, Inc., is a wholly-owned subsidiary of CDC Software.

More than 10,000 customers around the world rely on CDC Software to manage, grow, and transform their businesses. By providing complete, end-to-end enterprise solutions, we equip companies with the ability to deliver exceptional customer experiences, grow and manage their business profitably, and become true market leaders.

Our customers not only count on CDC Software for technology but also for education and training, technical support and consulting services. Our solutions are well known in diverse industries, including food and beverage, financial services, manufacturing, health care, government and more.

CDC Software: The Customer-Driven Company™. Learn more at [www.cdcsoftware.com](http://www.cdcsoftware.com)



### **KEWILL**

Global businesses face ever increasing complexity across their supply chains including decisions on sourcing, customs, compliance, transportation, storage, finance, visibility and connectivity. Inefficiency in any of these areas will lead to supply chain delays and result in increased costs. Kewill has a suite of software solutions that significantly simplify the management of the most complex global supply chains for enterprises and logistics service providers.

With over 35 years experience in global trade management and logistics, and over 600 employees worldwide, Kewill is a long-time innovator of solutions for manufacturers, distributors, retailers, freight forwarders, transport companies, customs brokers, 3PLs and 4PLs, as well as other related institutions involved in financing and underwriting global trade such as banks and insurance providers.

Kewill's solutions are in daily use by more than 40,000 users worldwide and our global customer base is made up of enterprise-level businesses that entrust us with the management of their supply networks. Learn more at [www.kewill.com](http://www.kewill.com).





**MANAGEMENT DYNAMICS, INC.**

Management Dynamics, Inc is the leading provider of Global Trade Management (GTM) solutions that improve the performance of global supply chains for importers, exporters, logistics service providers, and carriers. Combining an expansive trading partner network, enterprise-class software and specialized trade content resources, our solutions address mission-critical business challenges for all companies involved in global trade. These solutions include automating import and export processes, providing order and shipment visibility, calculating tariffs, duties and taxes, ensuring regulatory compliance and simplifying the financing, sourcing and transporting of goods across international borders.

To learn more, visit our website: [www.ManagementDynamics.com](http://www.ManagementDynamics.com), email us at [Solutions@ManagementDynamics.com](mailto:Solutions@ManagementDynamics.com), or read our latest [case study](#) to learn how Leggett & Platt realized 3% in product cost savings by centralizing import management and improving customs compliance.



**PRECISION SOFTWARE**

When effective global trade management is strategic to your business, you need a system-based platform that helps to manage all of the rules, regulations, trade content and documentation—all while keeping your shipments moving across borders without interruption. With Precision, you get the tools you need to employ best practices and gain efficiencies in export compliance from Denied Party screening, AES filing, and documentation generation, to license determination / management and record keeping.

Precision Software, a division of QAD Inc., has been providing export trade and compliance solutions for more than 27 years, and is used by many Fortune 500 companies and their subsidiaries around the world. Visit us at [www.precisionsoftware.com](http://www.precisionsoftware.com) to learn more.





### **SAP BUSINESSOBJECTS**

Our vision is for companies of all sizes to become best-run businesses. In today's challenging business environment, best-run companies have clarity across all aspects of their business, which allows them to act quickly with increased insight, efficiency, and flexibility. By using SAP solutions, companies of all sizes—including small businesses and midsize companies—can reduce costs, optimize performance, and gain the insight and agility needed to close the gap between strategy and execution. To help our customers get the most out of their IT investments so that they can maximize their business performance, our professionals deliver the highest level of service and support.



## Appendix D: 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](http://AmericanShipper.com/Research).

#### Annual studies include:

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

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# American Shipper

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