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## **BPE Global Hot Topic – August 2014**

### **Obtaining and Using Export & Import Metrics**



To say that I'm fanatical about metrics would be a total understatement. Peter Drucker coined the phrase "if you can't measure it, you can't manage it" and I'm a firm believer in being able to collect data that will evolve into the metrics that we track and use for the betterment of our organizations. In global trade compliance, obtaining metrics seems to be a bit like the search for the Holy Grail – where most people think it's unattainable. I've also met people who are great at collecting metrics, but haven't figured out what to do with what they've collected. This Hot Topic is dedicated to obtaining and using global trade compliance metrics.

Even if you are a one person compliance organization (maybe even more so) you need metrics to connect to major organizational goals or the strategy of your organization. Metrics will align your operation with your greater corporate operations. They will enable you to think critically and subjectively analyze your operations.

Unfortunately, there isn't one single system that will provide you with your end-to-end global trade compliance metrics so it's likely that you'll have to merge several sets of data to create complete visibility. There are several key areas to collect both export and import data. Start with your order, customer and product systems. You can also obtain critical compliance data from your global trade management and transportation systems. Then you can require your service providers to provide standard reports. Additionally, most government agencies, like Census, provide free transactional data. The key with this data is ensuring that there is a shipment reference number that allows you to map the government data to your business data.

It is critical to strive for metrics that are based on fact so that any conclusions you make have clear evidence of their relationship. I recommend looking at where you are spending your money. This means looking at your service provider costs, your inventory carrying cost, storage costs as well as compliance related costs such as how many dollars you have in assists and how much you pay for duties and taxes. You should measure how many staff you have and how much you spend on that staff. You also want to analyze where you save money on duty avoidance programs such as free trade agreements, special programs, free trade zones, drawback and VAT recovery. You can also measure any service provider optimization that you have done and capture how much you are gaining in ACH float.

It's very important to have savings, but you need metrics to put that savings into perspective. Your metrics should prove your effort (productivity and utilization) is worth the return. If you are saving \$10,000 with your NAFTA program, but have one full time equivalent (FTE) to manage the program, you should reconsider your NAFTA program. You can also measure quality (or detect defects) with your metrics. If you save \$3 million from NAFTA with one FTE, but you haven't properly qualified your product so you have to do a voluntary self-disclosure then your metrics are telling you to invest in training. Metrics also enable you to strategically budget. If you spend \$1 million on implementing a



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GTM solution, but can double your operation volume without increasing staff at all, then your investment was worth it.

When looking at metrics you must capture volume. How many filings do you do per year? Makes sure to include all types of shipments like returns and personal shipments. Try to capture how many Other Government Agency declarations you are doing as well as customs requests and special programs such as reconciliation, drawback and antidumping/countervailing duty declarations. Lastly, count how many screenings you do, how many licenses you process, how many technology transfers/deemed exports you manage and how many classifications you assign.

Common mistakes that people make when they develop metrics include: being too US-centric, just presenting and not analyzing the data, only sharing the good data and not the bad (e.g. how many disclosures, penalties), not communicating the materiality of the issue, and not quantifying the company's exposure. It's critical that you benchmark with other companies when you start collecting metrics so that you have a perspective on what your metrics are showing.

When you present your data, you need to keep it simple and short. I love a single page presentation that you can hyperlink to the details. I strongly recommend doing year-to-year comparisons. Once you've got your presentation, you should share it with anyone who will listen. I'm serious! Share it with your executive management, your internal stakeholders (logistics, shipping, purchasing, sales) as well as external stakeholders (service providers, customers, regulatory agencies).

Your metrics will help you with problem analysis, process improvement, recognition, goal setting, trend development and budgeting. This is a tremendous opportunity for you to target savings opportunities and to prepare for growth. Your metrics will definitely show your department's value, speak for themselves, provide you with a fact-based compass and connect you to your stakeholders.

Thank you for investing your valuable time reviewing this BPE Global Hot Topic.