On Second Thought

With Renee Roe

Implementing a global trade strategy in 2014

In our July 2013 *Second Thought* column we discussed the strategic road to trade compliance. With 2014 now upon us, global supply chain practitioners begin to ask themselves:

Did all of my efforts help the company make their revenue goals? How many shipments were delivered on time? How many shipments were lost, damaged, or delayed? How many customers complained? Will my year-end physical inventory be accurate? Is it time to evaluate my carrier's performance?

Then there is that nudging thought that the company's global trade strategy should be scrutinized, but there just isn't time with all of the focus on getting the products out the door. Resources after all are limited aren't they?

Simply addressing the global trade strategy often is the best way to correct some of those issues surfacing in the executive suite, as well as getting the necessary budget for critical resources.

Often we lose focus on the fact that a true global trade strategy, when managed right, can reduce costs and accelerate the supply chain. While it may seem a bit overwhelming at first, this concept of identifying and implementing a global trade strategy, and adopting plans which involve risk reduction, and improved compliance, should be your No. 1 priority.

The theme for this year's fourth annual *American Shipper Export Operations & Compliance Benchmark Report* was gauging the extent to which export teams have a place at the strategic table. The survey results disappointingly indicate respondents often still find themselves excluded from key strategic considerations. The challenge is how can this be corrected?

How can you ensure you get included in key strategic discussions? Pure and simple, you must align yourself with your company's corporate objectives. Do you even know what your corporate objectives are, and where to find them? That's your first step. Certainly, somewhere in those corporate goals are those equating to products and revenue.

Prepare for your 2014 global trade strategy implementation by learning how to speak the "language of the board room." Start by using words the executive team understands, such as "cost reduction," "higher profit and margin," "customer satisfaction," "return on investment," and "competitive advantage."

To successfully communicate how global trade is strategic requires some changes in how you communicate with the executive team. Leave at your desk words such as "compliance," "regulations," "fines and penalties," and "clearance," and replace them with "competitive advantage," "Sarbanes Oxley," "risk-based approach," and "market access."

Most importantly, it's no longer about "your projects and responsibilities," rather it's about "corporate objectives" and how you and your team contribute to them.

Translate your import responsibilities.

- **Cost reduction through:**

  – Decreased clearance cycle time.

  – Duty reduction/avoidance programs.

  – Process improvements.

- **Customer retention through:**

  – Predictable supply chains.

  – Accurate documentation resulting in accurate declarations.

- **Higher margin:**

  – Lower inventory carrying costs.

Translate your export responsibilities.

- **Increased revenue through:**

  – Access to all markets as a result of compliance.

- **Customer retention through:**

  – Accurate classification and licensing of products.

It is critical that corporate leaders consider global trade compliance at the same time they're forming new product development and sourcing strategies. Failure to do so may add significant costs and risk that's completely avoidable.

Wouldn't your role be more valuable to your company, and certainly more strategic than tactical, if you were able to reduce uncertainty and cost while improving revenue and customer satisfaction?

Start with the basics.

When was the last time you ran a report on all part numbers in your ERP system to ensure all of them are assigned a Harmonized Schedule Number (HS) and Export Control Classification Number (ECCN)? Is there a person on your staff assigned to fill in the blanks, as well as review the accuracy of past classifications?

Remember, the HS number allows you to definitively calculate the duty and tax exposure your company faces in every country of importation. Additionally, the HS code permits you to identify any other government agencies that have jurisdiction over your products. By assigning an HS classification code to your products, you ensure awareness of, and compliance with, local customs and regulatory agencies prior to export and import of your first shipment.

Once you have an HS and ECCN number assigned to all parts, the next thing you should do as part of your global trade compliance strategy is determine the export controls on the ECCNs for your products, software and technology. Export controls will affect where you manufacture your products, to whom you can sell them, and where you can ship them with or without a license. The origin of the technology used to create a product determines the jurisdiction of export controls for your product. You must understand the export control regulations for each country in which your technology originates.

Next, look at sourcing options in combination with what you have learned from the assigned HS and ECCN number for a product. Thinking strategically about where you design, source, manufacture and service products can have a huge impact on your bottom line.

Global trade leaders successfully reduce uncertainty and costs and increase profit. Are you prepared to develop and implement your global trade strategy in 2014, and become a global trade leader?

Roe is a director with BPE Global, a consulting firm focused on enabling companies to succeed globally. She can be reached by email at renee@bpeglobal.com.