

*GTM Landscape Report*

# UP IN THE AIR

*Building a data foundation  
for a trade world in flux*

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## SECTION I: INTRODUCTION

Imagine, for a second, that the rules of a game in which you innately knew had suddenly changed in subtle but significant ways. What if it was the queen rather than the king that needed to be protected at all costs in chess? Or if a tennis player needed to only win five games instead of six to capture a set?

When the rules of the game change, it creates uncertainty. But it also means players need to focus on living by the new rules, not necessarily their perception of those changes.

What does that mean in a global trade management context? Well, global trade practitioners—whether in trade compliance or logistics roles—are always faced with a certain amount of volatility. It's part of the job. But the current environment could be described as hyper-volatile as the United States and other countries wrestle with the very idea of key institutions governing trade, like the WTO and multilateral free trade agreements.

If 2017 felt like a state of nervous limbo for those in trade, 2018 could be a watershed year for major developments. So the key, as the authors will highlight in this year's Global Trade Management Landscape Report, is to filter out the noise and concentrate on the data. Endeavoring to build processes and systems where data is accurate and usable will help to combat the uncertainty and setbacks that inevitably occur.

This report, in particular, will highlight how importers and exporters should focus more than ever on: how external trade dynamics might affect their supply chains; how aggregating data from suppliers and service providers can highlight the fiscal impact of changing trade policy; and how to balance in-house technology investment with outsourced expertise to manage it all.

In a global trade environment where the rules of the game are changing, it's imperative companies think about how they will adapt to the new rules.

As a note, this report talks frequently about GTM solutions, which in general refers to either standalone software or a system provided by (and often managed by) a service provider.

# SECTION II: IT'S CRAZY OUT THERE, KIDS

If there's a common thread that ran through discussions with trade practitioners in 2017, it was the degree of uncertainty affecting global trade. In particular, how new government regimes here and abroad might manifest themselves in potentially impactful trade policy shifts. There's little doubt that uncertainty around trade agreements and trade policies can sow confusion.

Whenever we, as trade consultants, are asked to initiate any type of global trade management review, the first step is to begin with a people, processes and systems approach. But the reality is that the current political climate often precludes us from taking any logical first step such as this. More countries than ever before are adopting protectionist positions, and this requires a subtle, but significant shift for the companies we counsel: it means they must take more of an outward view rather than the typical inward view.

The impact of this cannot be understated. While any global trade management program must account for the effects of internal and external dynamics, it was always advisable for a company to get its own house in order before gearing up to face the external challenges. That's the traditional process, and one which is still recommended in times of relative calm and stability.

These are not those times. The present situation is complicated by the reality that few countries have actually implemented policies that would allow companies to estimate the impact of sweeping change to existing processes and systems. There has been lots of talk and little action, resulting in a sort of permanent limbo status.

So, what's a company to do in these tenuous times? You make do with what you have. And you take a serious look at the worst-case scenarios.

There's so much confusion in today's trade environment, the prudent path is to think conservatively and focus on what you potentially won't be able to do.

- **Won't be able to forecast.** Let's look at Brexit. As a member of the European Union, the United Kingdom can import and export within the EU community without having to pay additional duties or taxes to import those goods. Brexit could result in the loss of free trade in and out of the United Kingdom. This means that you should consider what would happen to your ability to forecast if the WTO Most Favored Nation duty rates applied to your imports into the United Kingdom instead of your previously duty-free intra-community transactions. Your customers may not be able to afford to buy your products and import them into the United Kingdom.



- **Won't be able to close your books.** Trade remedies are the most immediate actions that protectionist countries can take without having to engage their legislature. Trade remedies allow countries to implement anti-dumping, subsidies and safeguards against countries. The first of many trade remedies that the U.S. is considering is expected in early 2018 for solar panels and washing machines. Many more are planned. If your imports are subjected to trade remedies, you could be exposed to antidumping/countervailing rate assessments that could possibly be retroactive and not final. This means that you will be asking your company to take on undetermined costs without knowledge of the end-game. You're taking on a corporate liability that will be carried over year-to-year for a minimum of four years. Your finance team will be hyper-challenged to correctly accrue these liabilities.

- **Won't be able to manufacture your products.** President Donald Trump has made it clear that he wants to single out China. There is an investigation currently underway regarding Chinese policies regarding intellectual property. These investigations will likely determine that Chinese practices have required U.S. companies to turn over American intellectual property, which has resulted in a decrease in the value of that intellectual property. If the U.S. takes actions against China regarding intellectual property, then it is highly likely that China will retaliate. Any company manufacturing or sourcing from China is at risk for undetermined costs and restrictions on their imports. Your manufacturing team won't be able to determine the cost of goods sold (COGS) for your components or products manufactured in China.



- **Won't be able to run your supply chain.** President Trump has made no secret about being against multilateral and plurilateral trade agreements. Your opportunities for government contracts will also be more limited. If your company gains zero value for sourcing from non-trade agreement countries, your manufacturing team will need to determine if the entire supply chain is cost effective. Your procurement team won't have any idea whether they will be able to take advantage of trade agreements when making sourcing decisions.

Seasoned global trade practitioners might already know some or all of these “won't be able to” problems, but it's important to characterize how these issues might affect your organization, especially if there's vulnerability to one or more of them. A single vulnerability can catalyze into bigger, enterprise-wide issues, particularly for those companies that don't have robust processes and systems upon which to lean.

# SECTION III: FOCUS ON THE DATA

Trade is, by definition, reliant on disparate partners and sources of data. One of a company's most important responsibilities is to accurately and quickly be able to assess the fiscal impact of both internal and external changes.

As such, companies need to have a plan to ensure their trade data is accurate and accessible to all necessary parties affecting their supply chain.

To determine this, you need accurate data. The supply chain models for importers and exporters will indelibly be impacted by suppliers, service providers, contract manufacturers, and the local government agencies in the countries in which they operate. GTM solutions, whether off-the-shelf, or provided by a third party, can be a good place to consolidate data from these disparate supply chain partners. But sometimes GTM solutions may be partially integrated or possibly missing updates with exceptions or amendments to shipments and may also be incomplete. As a result, it's common to find gaps in the data and information fed into GTM solutions. As the saying goes, a system is only as reliable as the data that's fed into it.

There is also a structural limitation in GTM systems when it comes to data. We find that service provider systems are limited to the transactions they handle. Often certain data elements desired by a shippers GTM solution are not available or do not transmit from their service provider systems. An advantage of service provider data is that using multiple service provider's data can result in data and information that must be manipulated to standardize and create a holistic picture.

For example, an exporter might request that certain data elements from their commercial invoices be captured in the systemic filings conducted by their service providers. A shipper might want to capture specific data elements such as their Export Control Classification Number (ECCN), which is not a required field in the Electronic Export Interface filing. Though the data elements have been provided, there is no control that the service provider will key extra data aside from what is required by EEI filing rules.

In this case, a solid GTM program can recognize certain elements filed by service providers and tie them to existing data input from the shipper's systems.

*Regardless of your GTM solution and its maturity, you need to build out a risk-based profile of the data levers that impact your business.*

Based on that list, you should dive deep into your business processes and identify what data you require to effectively manage your business. The next step is to work with your GTM solutions vendor, your team and your service providers to ensure that you get the data you need and develop the reports that you need to interpret that data. Many trade compliance professionals create a dashboard to manage their operations to more effectively and efficiently accomplish this.

# SECTION IV: FOCUS ON RIGHTSOURCING TRADE COMPLIANCE NEEDS

Customs brokers and international freight forwarders have a role for nearly all importers and exporters—even the most data-driven, technologically savvy, and independent shippers. Instead of fixating on whether everything can be handled in-house or externally, a better path is to focus on who is best suited to handle specific processes and create a sustainable structure that best leverages your internal resources, available investment, and partners.

It's often the case that the choice for shippers is either/or. Either you partner with a customs broker or freight forwarder, or you self-file. But the reality for most trading companies is far more nuanced. Most importers and exporters of more than a single product have complex trade compliance needs that necessitate partnering with multiple service providers to best support a range of sophisticated and potentially risky business needs.

Think of it in the same way as maintaining IT requires a delicate balance between in-house and outside resources. A company might need the right in-house professionals to handle its day-to-day pain points and operational customization, while still relying on an outsourced, cloud-based operating system and several other software providers. Having a partnership with an expert customs broker or freight forwarder allows companies to do what they do best while getting the Customs and Border Protection (CBP) and partner government agency (PGA) policy and regulatory support they need to maximize the effectiveness of their trade compliance function.

All too often in the trade compliance world we forget that our “importers and exporters” often do not view themselves as importers and exporters but as businesses that, in the course of their development, happen to need a part from overseas or happen to make a sale to a foreign buyer. Importing and exporting is a function of their core business, but it's not the core business itself. And so, for those companies especially, rightsourcing their trade compliance expertise will make all the difference in the world to their overall business function success.



*For importers and exporters especially, rightsourcing their trade compliance expertise will make all the difference in the world to their overall business function success.*

A pretty universal truth in the customs brokerage industry is that most companies never know they need a good broker until they *really* need one. Sometimes, disaster is averted simply by having another set of expert eyes on a document, or the response to a “request for information” from CBP, known as a CF 28, or simply having a customs broker’s support and expertise at your side during a meeting with CBP. While it is true that importers and exporters know more about their product than a broker/forwarder ever know, brokers and forwarders almost certainly know more about the trends and the activities of CBP, and other PGAs, than the importer or exporter will ever know.

Customs brokers know when there’s a rash of CF 28s on a specific issue for example, and can alert their clients when they see these trends. The very best broker-client relationships are partnerships that include regular meetings to discuss trends, review compliance, and simply take stock. Much like any other outsourced area of business acumen, if importers and exporters aren’t meeting with and partnering with their broker/forwarder, they simply aren’t getting the best that partner has to offer. And getting the best a customs broker or any service provider has to offer should always be the goal of an outsourced business function.

We should emphasize again that having a GTM system and relationships with customs brokers are not mutually exclusive. Even for those shippers that self-file, customs brokers and international freight forwarders can be valuable sources of guidance and services. For those that don’t self-file but use a GTM system, the diligence of customs brokers can create greater value from that system by providing data and vetting transactions.

This all begs a question: how does a company know what to keep in house and what to outsource to a customs broker or freight forwarder? It starts with a company having a good understanding of its import and/or export process, including a frank assessment of the knowledge level and skill set of key internal trade compliance employees. A large company with multiple former CBP officials and several employees who have worked in brokerage houses and or licensed customs brokers may want to keep a large percentage of its transactions in-house to maximize that talent. Alternatively, if no one knows what a 3461 or 5106 is, has never heard of ACE and trade infrequently, it may behoove you to outsource your entire “trade department” to a broker that provides those kinds of full services. Most companies likely lie somewhere in the middle, and that’s where the fun begins.

Traditionally, most companies have found that it is more expensive to process entries in-house, hence the reason for the existence of customs brokers. The calculus has changed somewhat in recent years: the advent of easy-to-install, browser-based, subscription-based GTM tools has brought down the cost and in-house expertise needed to self-file.



## CBP REGULATIONS

*cross-border trade*

**46+ government agencies**



**Hold authority**

*data overload*

**FDA PREDICT**

### A RECIPE FOR PGA HEARTBURN

For the importer or exporter without a full-time trade compliance staff, merely complying with CBP's regulations can feel like climbing Mt. Everest. Wearing flip flops. And having left your sunglasses in the car.

But to add to the increasing complexity of even "simple" cross border trade, there are 46 and counting additional government agencies that touch trade via regulation and/or enforcement. Eight of those with hold authority at the border. And there is no one-stop-shop manual of which agencies touch which products, how to find that information, or what to do with the information once you have it. The more agencies are involved with trade as a core part of their mission—the Food and Drug Administration (FDA) being an prime example—the more sophisticated their own intersections are with the trade community.

FDA's own targeting system, called PREDICT, enhances the data that FDA extracts from CBP via ACE. But agencies that are just coming online (literally and figuratively, in many cases) often don't know what they don't know. And when they enter the candy store of government-collected data, the rules can shift quite rapidly as both regulatory and regulated entities alike adjust to the new normal of agency involvement and data collection associated with international trade. Even companies with pretty solid trade compliance programs can feel like a monkey wrench has been thrown into their well-laid program. And, bear in mind, this is a U.S.-only perspective. Similar multi-agency import regimes exist worldwide.

So, what's a poor trader to do? Almost all companies that engage in trade can benefit from joining a trade association tailored to their industry and specific company needs. Reading *American Shipper's* Regulatory Digest to track relevant developments in the U.S. Federal Register, or perusing local country publications, are also excellent ways to get information right from the source. Joining government advisory committees and attending public meetings on issues near and dear to your company interests will also pay dividends to your business interests as time goes on. In short, lean in, show up and tell your company's story. Because if it's happening to you, it's happening to others and being at the table as the solutions to intra-government agency issues are crafted will always be a benefit to your trade compliance program.

But that delta isn't zero, and most companies using a GTM system do so because of the strategic and synergistic benefits of doing so, not necessarily because customs brokers fees are too onerous. In other words, using a GTM system to automate some part of trade compliance can create benefits in other areas, like sourcing, freight logistics, and final mile distribution that are beyond the traditional scope of a customs broker.

It should be noted that many customs brokers, and most freight forwarders, are adapting themselves to this environment and broadening their reach as well.

A good starting point for a company on the lower end of the expertise spectrum is to outsource more and then bring functionality in-house when confidence in internal trade compliance competency grows. The key either way is to find a broker/forwarder that meets your company's unique business needs. Some brokers fill a niche market of different types of commodities, some work primarily within a geographic region, some specialize in low-cost basic service for routine transactions and some are specialty boutique brokers who charge a premium for their specialty expertise. Finding the right fit for your company will include meeting with several firms and talking about where you are in your trade compliance program and where you'd like to be/could use their support. It also should inevitably mean figuring out how that relationship can help you better leverage any investment made in GTM solutions or data initiatives.



The next step is to ensure the right people within your company are managing that relationship. Those people should be naturally good at paying attention to detail, understand enough about the importing/exporting process to manage risk and record-keeping requirements and will promptly follow up on any inquiry from either the customs broker or CBP or any other regulating government agencies. A productive partnership between a broker and importer requires the relationship to be tended by both parties, but can result in an exponential increase in trade expertise on the part of the importer without having to pay to bring those resources in-house.

Rightsourcing a trade compliance program takes some time, trial and error, and persistence. But companies that find that correct balance will reap the benefits for years to come. Especially in an era of almost unending uncertainty.

# SECTION V: TAKEAWAYS

Each *American Shipper* research initiative seeks to give readers practical guidance to implement. In this case, the authors suggest:

1. Importers and exporters focus more intently on external trade dynamics than they ever have before.
2. Ensure trade data is accurate, normalized across supply chain partners, and visible in a useful format, like a dashboard. Investment in a so-called system of record for data will provide a reliable backbone for these types of initiatives.
3. Plan for the worst-case scenarios from a global trade policy perspective, scrutinizing what it means to tariffs and sourcing locations.
4. Focus intently on what potential trade upheaval might mean to your company's bottom line. Quantify, quantify, quantify.
5. In the quest to aggregate and use reliable data, don't fixate on being a self-filer or relying wholly on customs brokers. Most sophisticated companies use a GTM system and the expertise and services of customs brokers to build compliance programs that are more than the sums of their parts.



# APPENDIX A: ABOUT OUR SPONSORS



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## THOMSON REUTERS

Thomson Reuters ONESOURCE Global Trade provides a truly comprehensive software solution for global trade management. Our product suite focuses on seven key foreign trade modules: Import, Export, Classifier, Free Trade Agreements, Restricted Party Screening, Special Programs and Trade Finance. Now, you can bring your global trade process together with a single user interface for everyone in your supply chain. That means key stakeholders can stay connected at each step of the process with a solution that provides greater visibility from start to finish.

Check us out online at [tax.thomsonreuters.com/onesource/global-trade-management](http://tax.thomsonreuters.com/onesource/global-trade-management).



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## GT NEXUS

The Infor GT Nexus Commerce Network is a cloud-based collaboration platform that helps over 25,000 companies move \$500 billion in goods across the world's largest global supply chains. With over 100,000 people using our platform, the network is an engaged community of manufacturers, retailers, logistics providers, carriers, suppliers, and banks who collaborate to solve the enormously inefficient problems that sit at the heart of the global trade and logistics industry. This is where global trade happens.

To learn more, visit [www.gtnexus.com](http://www.gtnexus.com)

# ABOUT OUR SPONSORS, CONTINUED



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## U.S. BANK

For more than 18 years, organizations have turned to U.S. Bank Freight Payment for the service, reliability and security that only a bank can provide. The pioneer in electronic freight payment, U.S. Bank Freight Payment processes more than \$23 billion in global freight payments annually for our corporate and federal government clients. Through a comprehensive online solution, organizations can streamline and automate their freight audit and payment processes and obtain the business intelligence needed to maintain a competitive supply chain.

Learn more at [freight.usbank.com](https://freight.usbank.com).



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## AMBER ROAD

Amber Road's (NYSE: AMBR) mission is to dramatically transform the way companies conduct global trade. As a leading provider of cloud-based global trade management (GTM) software, trade content and training, we help companies all over the world create value through their global supply chain by improving margins, achieving greater agility and lowering risk. We do this by creating a digital model of the global supply chain that enables collaboration between buyers, sellers and logistics companies. We replace manual and outdated processes with comprehensive automation for global trade activities, including sourcing, supplier management, production tracking, transportation management, supply chain visibility, import and export compliance, and duty management. We provide rich data analytics to uncover areas for optimization and deliver a platform that is responsive and flexible to adapt to the ever-changing nature of global trade.

For more information, please visit [www.AmberRoad.com](https://www.AmberRoad.com).

# APPENDIX B: ABOUT OUR PARTNERS



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## BPE GLOBAL

Since 2004, companies have achieved results through BPE Global's global trade consulting and training services. BPE Global'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 Global team is made up of knowledgeable, energetic and pragmatic licensed customs brokers, each with over ten years of experience. BPE Global gives back to the trade community by sharing knowledge and skills through webinars, publications, trade events, and as a recognized Trade Ambassador to U.S. 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 Global, visit [www.bpeglobal.com](http://www.bpeglobal.com).



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## NCBFAA

Headquartered in Washington, DC, the NCBFAA represents more than 1,000 member companies with 110,000 employees in international trade - the nation's leading freight forwarders, customs brokers, ocean transportation intermediaries (OTIs), NVOCCs and air cargo agents, serving more than 250,000 importers and exporters. Established in 1897 in New York, NCBFAA is the effective national voice of the industry. Through its various committees, counsel and representatives, the Association maintains a close watch over legislative and regulatory issues that affect its members. It keeps them informed of these and other related issues through its weekly Monday Morning eBriefing, and various meetings and conferences throughout the year.

To learn more, visit [www.ncbfaa.org](http://www.ncbfaa.org).

# APPENDIX C: 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 dozens of reports on subjects ranging from regulatory compliance to transportation management 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 40,000 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 30 or more responses.

## LIBRARY

*American Shipper's* complete library of research is available on our Website: [AmericanShipper.com/Research](http://AmericanShipper.com/Research).

## ANNUAL STUDIES INCLUDE:

- Global Trade Management Landscape Report
- Import/Export Compliance Benchmark Study
- Transportation Management Benchmark Study
- Risk Management Benchmark Study
- Emergent Supply Chain Technology Benchmark

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# American Shipper

The logo for American Shipper, featuring a red grid pattern that forms a stylized globe or ship's hull.

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