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# Eyes Wide Shut—The Struggle to See Value in Strategic Importing

*Import Benchmark Report 2015*

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# Executive Summary

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How much is it going to cost me? If these are the first words that come to mind when managing your imports, you're not alone. Cost is king, and *American Shipper* research this year supports the idea that importers are interested, first and foremost, in the costs associated with transporting and clearing their goods.

Against that backdrop, *American Shipper* and BPE Global thank you for reading this year's Import Operations and Compliance Benchmark Study. This annual report seeks to gauge perspective on import policy, department, structure, activity, and technology usage across a broad landscape of manufacturers, retailers, and logistics services providers big and small.

This report is based on responses from 172 qualified respondents to a 27-question survey between June 22 and July 27, 2015. Study results are shown in an aggregate form and segmented to draw meaningful comparisons within the industry and ultimately call out actionable best practices.

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## Import's Fixation on Cost

It's little surprise to see respondents to this year's survey point to the costs related to imports as the most important U.S. import metric. Companies clearly continue to fixate on the costs related to importation rather than the strategic value of managing an import operation. Looking at the top import concerns, cost-related issues rise to the top. This includes increasing transportation rates, extended transit times, increasing cost of compliance and delays at Customs.

One unsettling fact from this year's study is the fact that 15 percent of respondents don't even bother to track import metrics. You can't manage what you don't measure, so failure to measure a company's import operations is practically an admission that the company isn't managing its business.



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**Structure and  
Policy Trends**

Where import policy responsibility resides within an organization is a first key consideration against which to benchmark that company's import structure. Best practice would dictate that compliance should be at least partially responsible for setting import policy, but that's not always the case. Nearly half of respondents this year do so, in line with 2013 numbers, and a significant increase from the 28 percent who did so in 2014.

Just 17 percent of small and medium-sized shippers entrust their compliance department with import policy, compared to 29 percent in 2013 and 23 percent in 2014. The assumption is that these smaller shippers simply do not have dedicated compliance departments, and rely on their logistics or operations teams to handle imports.

Meanwhile, trade compliance departments, when they even exist, tend to be small. And there is little difference between large shippers and their smaller peers, as 65 percent of large shippers report having five or fewer employees purely dedicated to trade compliance, compared to 63 percent of small and medium-sized shippers. Thirty-nine percent of large shippers and 31 percent of small/medium-sized shippers report that there are no employees formally dedicated to trade compliance, but personnel in their companies are tasked with this type of responsibility.

It is clear that trade compliance personnel are underutilized assets in a company when it comes to leveraging their expertise across other departments. While most companies turn to compliance for guidance related to sourcing decisions, they largely do not include compliance enough on the decisions related to mergers and acquisitions, new market entry, product development, and demand forecasting. There is a school of thought that companies should include compliance in 100 percent of these crucial decisions as they are a valuable resource.

More than 60 percent of respondents report a link exists between their trade compliance and tax strategies. What is surprising is that 24 percent of large shippers and 17 percent of small/medium-sized shippers say their tax and compliance strategies are not linked at all.





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### **Profile of an Importer**

Retailer respondents indicated they have a bigger burden when it comes to number of entries—close to 60 percent process between 1,000 and 10,000 entries per year, compared to barely a third of manufacturers. Almost one quarter of manufacturers and retailers are filing between 100 and 1,000 entries per year.

Close to nine in 10 respondents operate in nearly every geography surveyed in this report. The opportunities are everywhere, but so is exposure to risk. Respondents indicated the biggest import-related delays are occurring in Brazil, Russia and China.

Over the last five years of this study, 74 percent of all importers on average have outsourced customs brokerage, while more than a quarter of all shippers are outsourcing duty drawback. Large shippers outsource 32 percent of their transportation management, about 50 percent more than small and medium-sized shippers. Roughly a quarter of shippers outsource bonded warehouse operations.

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### **Import Technology Usage**

Usage of technology is an indicator of both the market's sophistication when it comes to importing as well as its willingness to invest and think more strategically about meeting its compliance and transportation requirements. This is a broad conclusion, but investment in technology signals a move away from fixation on short-term cost and toward a focus on long-term strategic goals.

While companies generally strive to reduce the number of systems they use across their enterprise, the reality is that most companies use multiple systems to address a single process or function. Larger shippers lean more heavily on their ERP and GTM tools than their smaller peers. Large shipper respondents were twice as likely to use a GTM tool to manage imports than small and medium-sized shippers.

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Also notable: nearly half of small and medium-sized respondents and more than a third of large shippers said they don't use a system to manage imports.

Meanwhile, about half of shippers indicate they use functionality from government import systems around the world. The number, little surprise, is much higher among large shippers, where more than 60 percent use such systems to track their imports, compared to less than 40 percent of small and medium-sized shippers.

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### **Best Practices**

The single-most important action that companies must take to better integrate compliance with any department in the organization is to secure support and sponsorship from senior executives. Accountability and responsibility lack authority and will not succeed without executive buy-in.

- Take the time to review product classifications. Incorrect classifications may increase the chance of time-consuming Census alerts, additional duties, fines, and other regulatory agency reviews.
- Don't just classify products, share the classification data and audit it to make sure it's being used correctly.
- Routinely audit entry declarations to ensure that products are being correctly declared to the local customs authority.



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# Section I: Introduction

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How much is it going to cost me? If these are the first words that come to mind when managing your imports, you're not alone. Cost is king, and American Shipper research this year supports the idea that importers are interested, first and foremost, in the costs associated with transporting and clearing their goods.

Against that backdrop, *American Shipper* and BPE Global thank you for reading this year's Import Operations and Compliance Benchmark Study. This annual report seeks to gauge perspective on import policy, department, structure, activity, and technology usage across a broad landscape of manufacturers, retailers, and logistics services providers big and small.

This report is based on responses from 172 qualified respondents to a 27-question survey between June 22 and July 27, 2015. Study results are shown in an aggregate form and segmented to draw meaningful comparisons within the industry and ultimately call out actionable best practices. In particular, this study makes frequent comparisons between large shippers (those with \$1 billion or more in annual revenue) and their small and medium-sized counterparts (those with less than \$1 billion in annual revenue). For reference, Fig. 24 shows a breakdown of respondents by company size.

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

*Although many findings in this study are global in nature, this study exclusively looks at issues related to importing goods into the United States.*



## Section II: Import's Fixation on Cost

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Some things never change, and one of those truisms in the world of importing is that costs trump almost every other facet in a supply chain. So it was little surprise to see respondents to this year's survey point to the costs related to imports as the most important U.S. import metric. Companies clearly continue to fixate on the costs related to importation rather than the strategic value of managing an import operation.

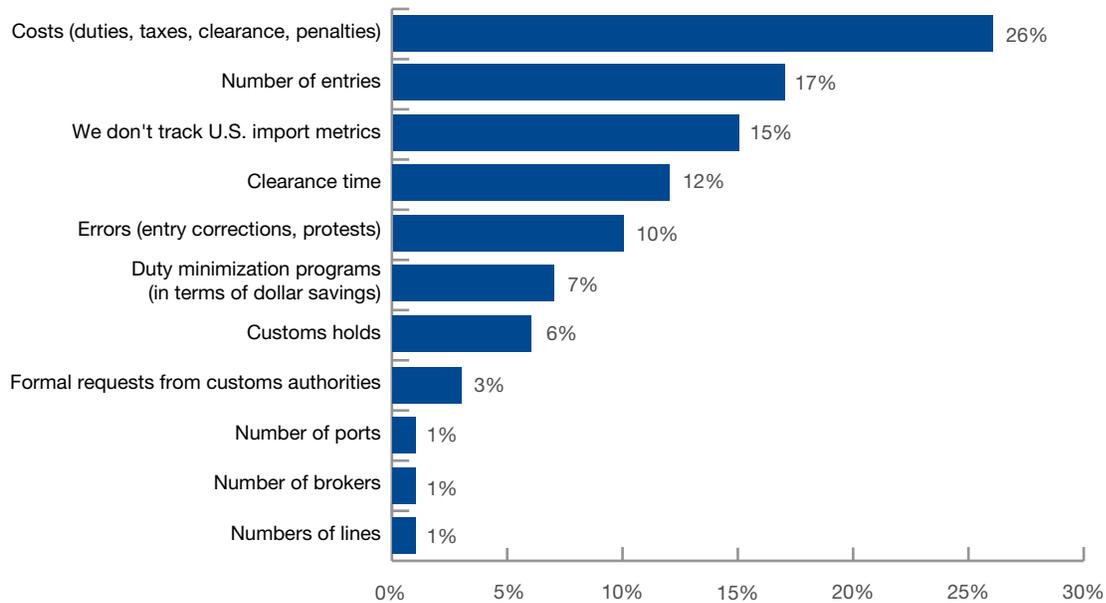
Everyone can admit that import operations are, in general, a de facto cost center. It is hard to import goods into any country without incurring clearance fees, taxes and potential duties. Even free trade agreements aren't free as importers must spend valuable time and effort administering these programs. Couple these costs with customs clearance delays that plague the inbound supply chain, and it's little wonder why companies don't take a fancy to import operations. In addition to the hard costs of importing and the inventory carrying costs of delayed goods, there are the costs associated with incorrect harmonized system classification that emerge in the form of fines, penalties, delays, and duty exposure.

- An example: Declaration of an incorrect harmonized system code may trigger unexpected requirements by other regulatory agencies that must be satisfied prior to customs clearance.
- Another example: An incorrect classification may also trigger a Census alert. No one needs a call six months after an import arrives asking for the details of the transaction. The import department is left searching for the virtual needle in a haystack because the Census inquiry is based on entry number and not a product SKU or purchase order.



One unsettling fact from this year's study is the fact that 15 percent of respondents don't even bother to track import metrics. You can't manage what you don't measure, so failure to measure a company's import operations is practically an admission that the company isn't managing its business. And a failure to manage a cost center puts the entire business at risk.

**Figure 1: Most Important U.S. Import Metric**



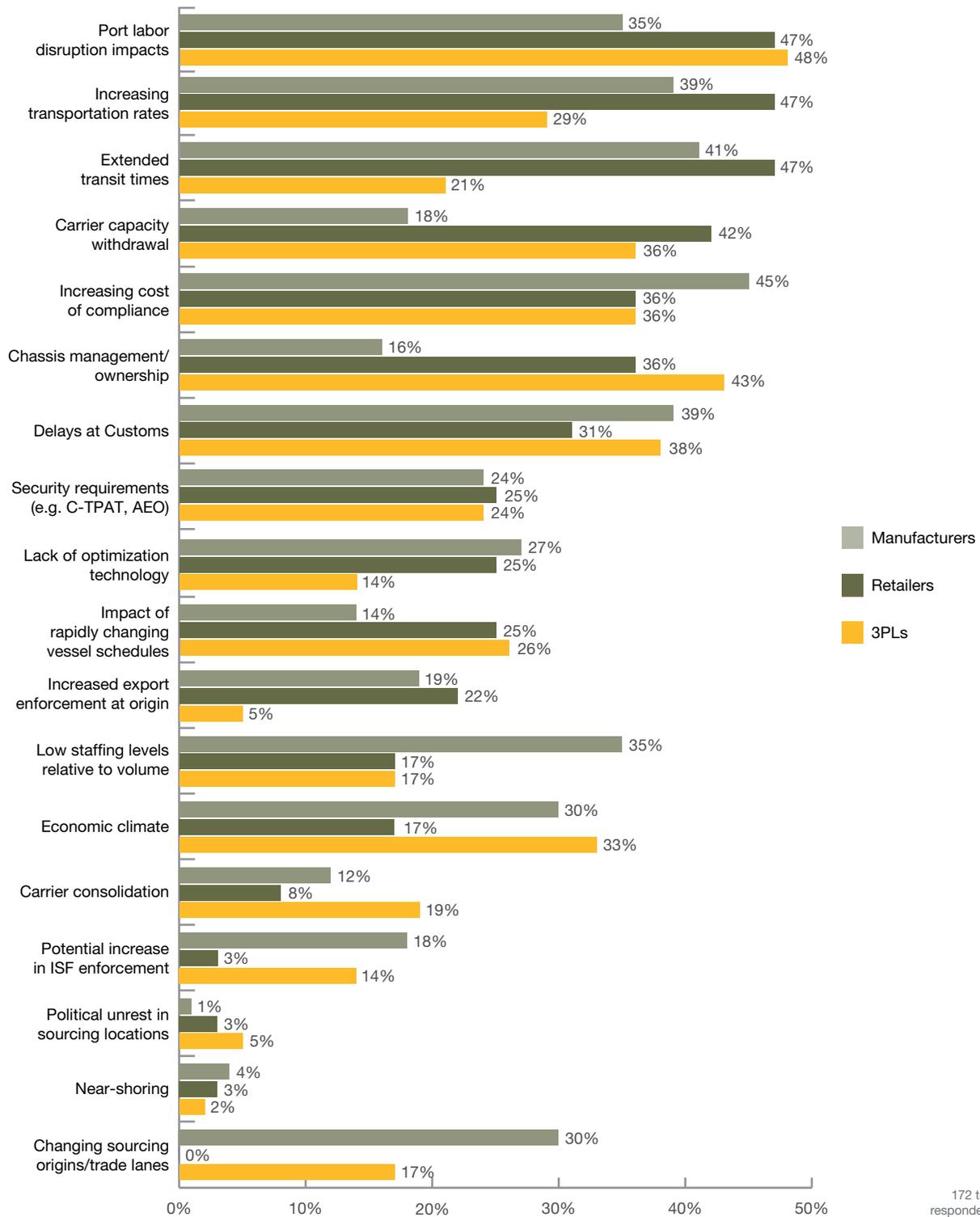
137 total respondents

Looking at the top import concerns, cost-related issues rise to the top. This includes increasing transportation rates, extended transit times, increasing cost of compliance and delays at Customs. Retailers tend to be more sensitive to import issues due to their requirements for predictable and reliable supply chain operations to help meet their seasonal demands.

The impact of labor-related port disruptions is an issue that stands out in 2015. Regardless of the industry, slowdowns or outright closures of ports are catastrophic. Security requirements such as the United States' Customs-Trade Partnership Against Terrorism (C-TPAT) and Europe's Authorized Economic Operator (AEO) programs are concerns for a quarter of respondents, and that concern cuts across all shippers types.



**Figure 2: Top Import Concerns**





From a global perspective, there's nothing easy about importing, but it can be hugely rewarding. In spite of the plethora of regulations and labyrinth of bureaucracies, there is a tremendous silver lining—notably lower costs, higher predictability, new markets, and happier customers. A company that has visibility into what it will be importing has the opportunity to calculate the total landed cost and strategize on duty minimization opportunities. Even companies that don't use landed cost to determine their global strategies can avoid unplanned costs and delays through increased visibility.

In some ways, import compliance and operations personnel will always be “superheros,” swooping in to rescue their companies from the dangerous situations that pop up every day, and guiding those companies strategically on where to source, which partners to work with, how to design products and ultimately, what to import.

This year's report isn't just about costs. It's about the value of a strategic import operation to a company's overall operations.

## Section III: Structure and Policy Trends

Over the last several years *American Shipper* has gathered a wealth of data from the departments responsible for overseeing import policy. That allows the authors of this study to report from a position of experience when it comes to how companies structure their import policy and departments.

A first key consideration is just where import policy responsibility resides within an organization. Best practice would dictate that compliance should be at least partially responsible for setting import policy, but that's not always the case. This year has seen a return to 2013 levels among large shippers that place import policy in the hands of their compliance departments, after a dip in 2014. Nearly half of respondents this year do so, in line with 2013 numbers, and a significant increase from the 28 percent who did so in 2014.

Smaller shippers are a bit of a different story. Just 17 percent of 2015 small and medium-sized shippers entrust their compliance department with import policy, compared to 29 percent in 2013 and 23 percent in 2014. The assumption is that these smaller shippers simply do not have dedicated compliance departments, and rely on their logistics or operations teams to handle imports. The further assumption is that this trend is growing, not diminishing, supported by the data in Fig. 3 that shows that 45 percent small/medium-sized shippers place policy within a supply chain organization while only 26 percent of large shippers employ this strategy.

More than three-quarters of large shippers leverage both their compliance departments and logistics/operations departments for policy oversight. The breakdown between logistics/operations and compliance is telling: 57 percent of small/medium-sized shippers place the policy oversight responsibility in the logistics/operations group and only 17 percent in the compliance division.

**Figure 3: Who is Responsible for Import Policy**

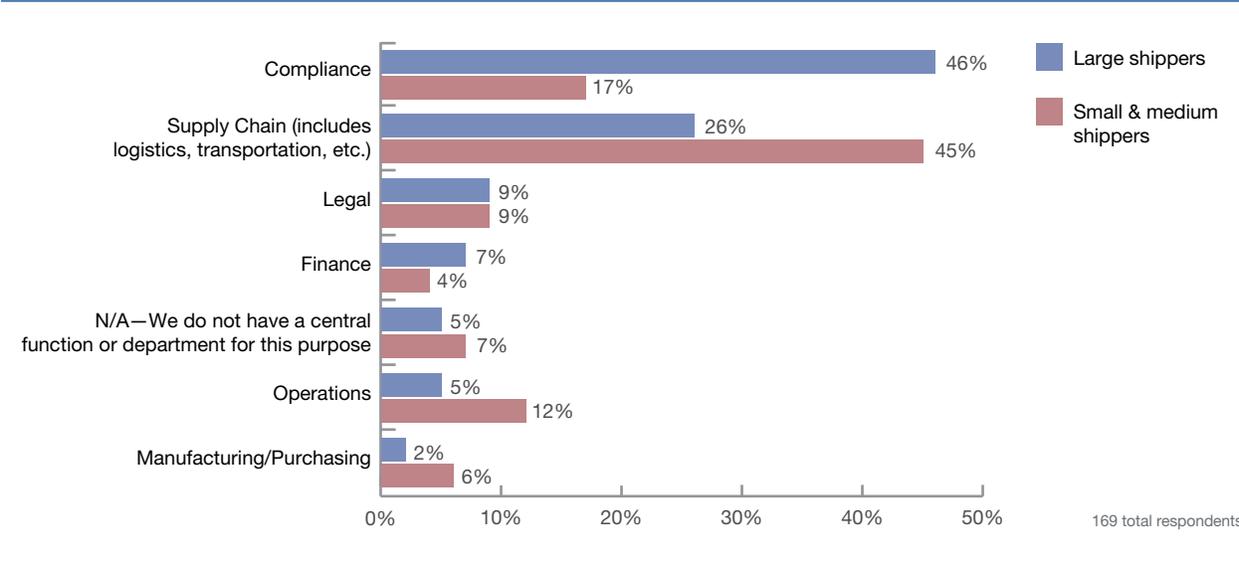


Fig. 4 further illustrates the constraints importers face: compliance departments, when they even exist, tend to be small. And there is little difference between large shippers and their smaller peers, as 65 percent of large shippers report having five or fewer employees purely dedicated to trade compliance, compared to 63 percent of small and medium-sized shippers.

Those smaller importers appear to be using a “dotted line” reporting responsibility, with 69 percent saying that five or fewer employees have partial responsibility for trade compliance. It will be interesting to explore in future studies whether the dotted line responsibility comes from logistics or operations teams.

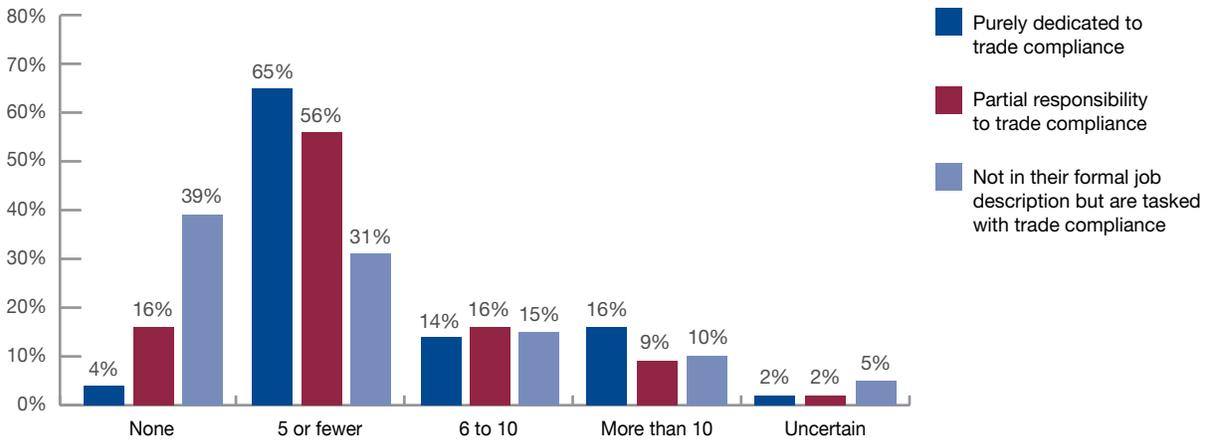
It is also little surprise that more than one-quarter of small and medium-sized shippers have no personnel purely dedicated to trade compliance (compared to only 4 percent of large shippers). This supports the assertion that smaller importers rely on logistics or operations teams, rather than developing a separate trade compliance team.



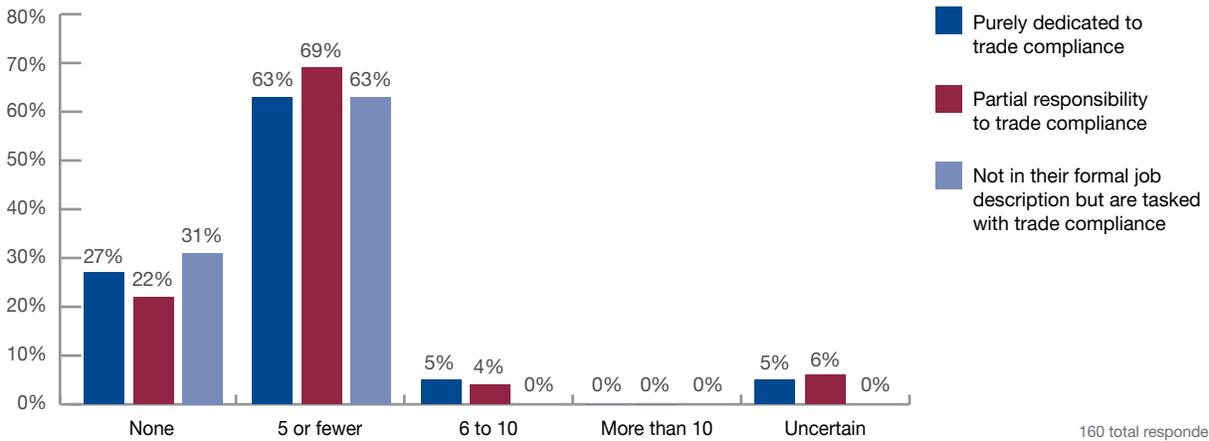
Interestingly, 39 percent of large shippers and 31 percent of small/medium-sized shippers report that there are no employees formally dedicated to trade compliance, but personnel in their companies are tasked with this type of responsibility. It's likely that these professionals are seated in shipping or procurement teams, but this too merits further investigation.

**Figure 4: Compliance Staffing Levels**

**Large Shippers**



**Small/Medium Shippers**

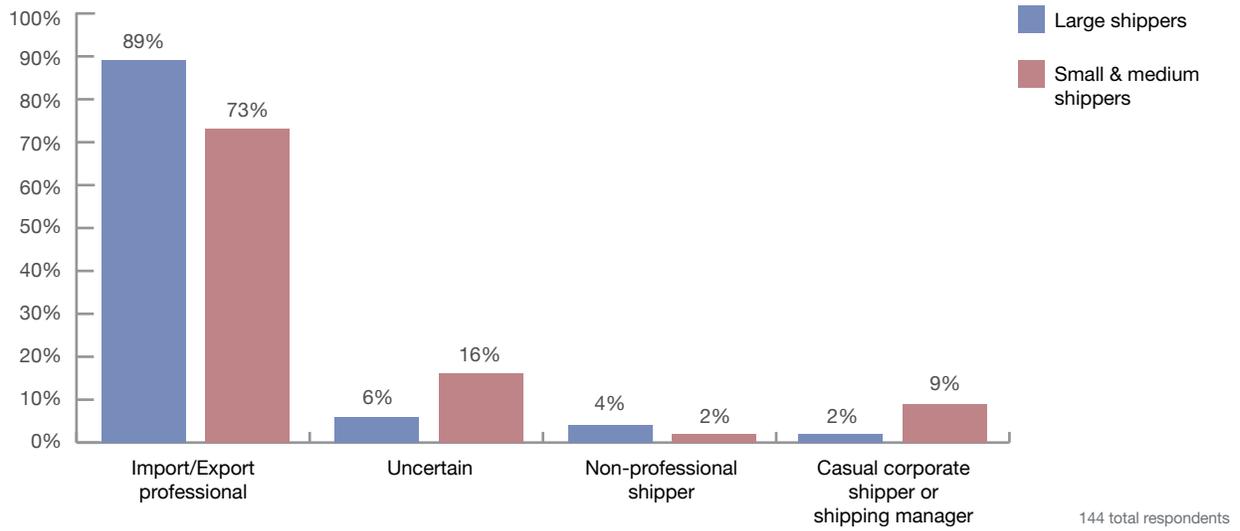


160 total respondents



Data in Fig. 5 shows that the target audience for this year's report appears to be right on. More than 90 percent of large shippers and 80 percent of small and medium-sized shippers are shipping managers, corporate shippers, or import/export professionals.

**Figure 5: Import Capability of Respondents**





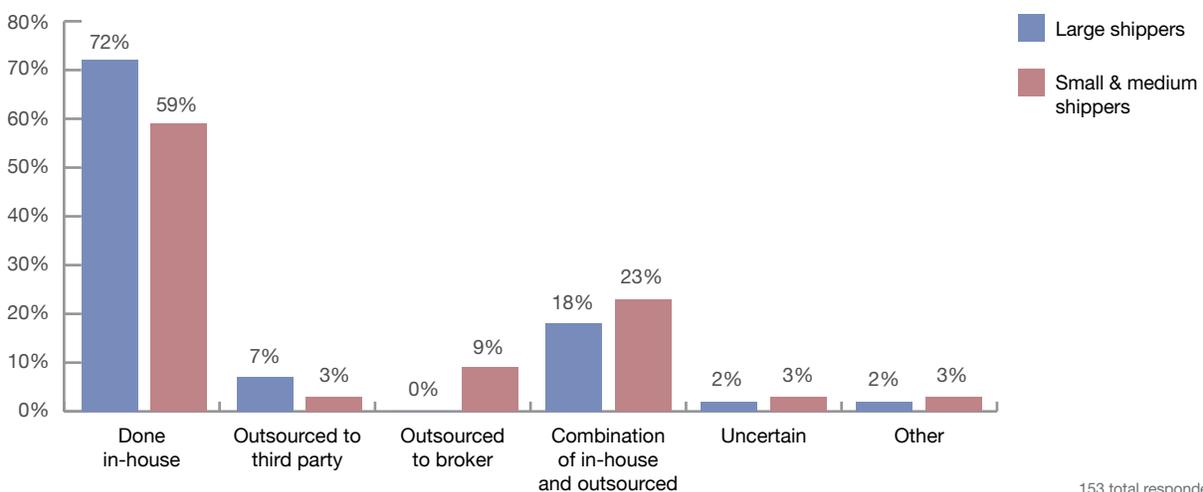
The role of the broker in customs classification is a topic this report addresses each year, and for good reason. The broker is an extremely valuable partner in all cross-border transactions and is often aware of country-specific requirements as well as obligations with partner government agencies. What brokers cannot be expected to know are the functions or features of a product, administrative rulings received by their client, corporate standards, or channels of trade or environment of sale of the products. Without this basic understanding of corporate strategy and their customer products, it is simply unfair for companies to expect their customs brokers to determine customs classification with the utmost in reasonable care. A company's relationship with its broker must be carefully balanced with the right expectations so that both the broker and the company can succeed.

*In 2015, 28 percent of large shippers and 41 percent of smaller shippers said they do not use the best practice of determining all the customs classification codes. This is a huge gap.*

Each year this report takes a slightly different approach to the question of the broker's role in classification—sometimes manufacturers and retailers are compared and other times the comparison is by size of company. This year, we examined this crucial issue by company size, and found that both sizes of shippers are doing well at communicating customs classification to their brokers, along with the best practice of implementing controls to ensure that the classification determined by the shipper cannot be modified.

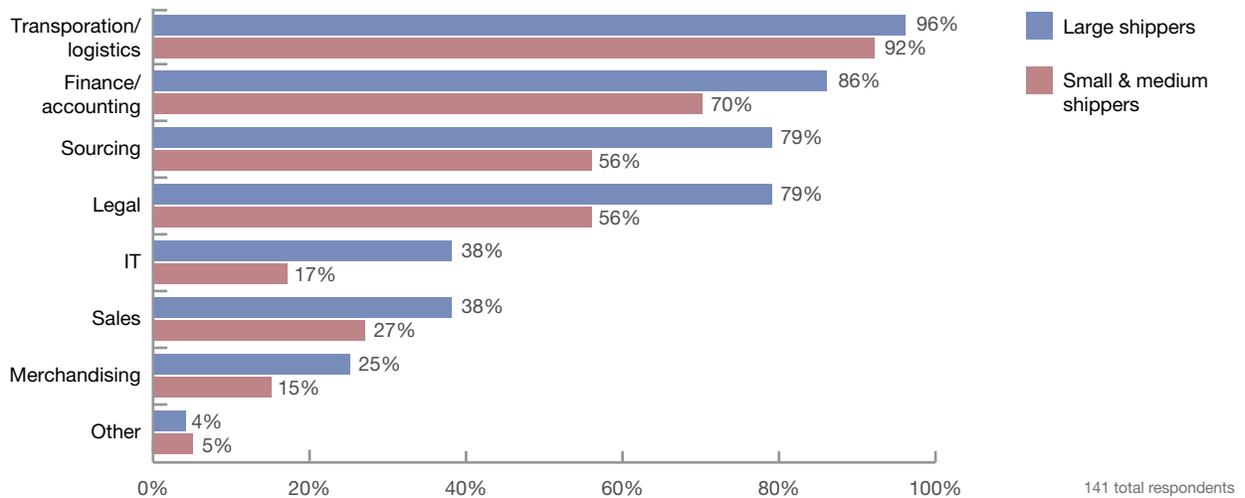
However, there is a gap similar to that uncovered in 2012 (the last time this report examined this question in terms of company size). In 2015, 28 percent of large shippers and 41 percent of smaller shippers said they do not use the best practice of determining all the customs classification codes, sharing this information with their brokers, while also placing controls to restrict modification of the HS number by the broker. Both those levels are higher than they were in 2012. By any standard, this is a huge gap. It opens up these shippers to potential duty exposure, clearance delays, as well as fines and penalties.

**Figure 6: Broker Role in Customs Classification**



Large importers are indelibly affected by what transpires in compliance. Nearly four in five such shippers say compliance directly affects everything from transportation to finance to sourcing to legal. Compliance’s impact at small and medium-sized importers is still significant, though less pronounced relative to larger importers. Part of this reduced impact may simply be that many smaller importers don’t even have a compliance department.

**Figure 7: Departments Impacted by Compliance**





This point hardly needs to be made to compliance professionals, but it is clear that compliance personnel are underutilized assets in a company when it comes to leveraging their expertise across other departments. Fig. 8 shows this is the case in large as well as small/medium-sized importers. The data in Fig. 8 is especially stark in relation to Fig. 7, which shows the extent to which compliance impacts other departments.

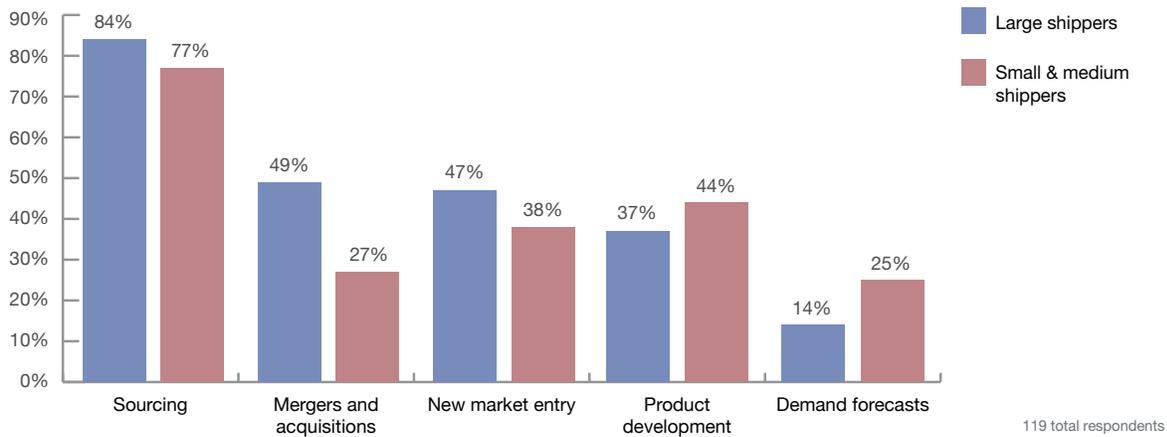
While most companies turn to compliance for guidance related to sourcing decisions, they largely do not include compliance enough on the decisions related to mergers and acquisitions, new market entry, product development, and demand forecasting. There is a school of thought that companies should include compliance in 100 percent of these crucial decisions.

In terms of mergers and acquisitions, it is critical that the M&A team engage trade compliance at the earliest stage of a deal. Broad concerns such as an inquiry or open audit that a target company may have with government authorities as well as trade with—or location of—target company offices in embargoed, sanctioned, or restricted countries are easy things that compliance teams can be made aware of early in the process. As the deal progresses, more detailed analysis of recordkeeping, administrative rulings, customs-specific policies, procedures and controls, IT tools, and audit trails can be examined.

Compliance-related potential exposures must be unearthed at the earliest stages as they can influence the progression of the deal and the onboarding of new companies.

# BRINGING COMPLIANCE TO THE TABLE

**Figure 8: Compliance Involvement in other Supply Chain Functions**



## Mergers and Acquisitions

Tip 1 – Compliance must identify a key lead in the acquisitions strategy team. Ask the key lead if they have attended corporate or third party trade awareness training and if they feel comfortable identifying red flags in compliance. If the answer is that no awareness training has been provided or the lead is unfamiliar with compliance red flags, the compliance contact should offer to deliver one-on-one training.

Tip 2 – Cultivate a line of communications between someone in the acquisitions strategy role and the trade compliance department so that trade compliance can be engaged as early as possible in the deal process. Keep these communications open throughout the phases of a deal so valuable lessons from deal to deal are documented and appropriate changes are in place to make the process run better.

Tip 3 – Compliance and deal teams to document phases of a deal and develop related standards. Move through a sample deal phase by phase and highlight where compliance fits in, what deliverables must be in place, and what kind of signoff is required for the compliance team to feel comfortable exiting the phase.

Tip 4 – Audit the target company after the merger or acquisition has closed to determine if controls are working. Remember that every deal is different and there is an opportunity to learn from each of them so compliance teams can anticipate pitfalls in the future.

## New Market, Product Development, and Demand Forecasting

While these are distinct functions in any company, for the purpose of trade compliance the engagement level is the same. New opportunities, new revenue streams, and increased brand recognition are some of the positive aspects with expanding into new territories. Unfortunately, a misstep because of lack of consulting with the compliance teams can actually cause damage to brands, obliterate margins, and eliminate business opportunity.

Tip 1 – Compliance teams should ensure that new market strategists are aware of restrictions related to sanctioned and embargoed countries.

Tip 2 – Product development teams should be tasked with informing trade compliance of the specifications of a new or re-imagined product at the earliest stage in development so that classification may be assigned and necessary licenses obtained. This includes feature updates to existing products as well as new products.

Tip 3 – Ensure that trade compliance is advised of all scheduled product demonstrations. In particular, to whom the product will be demonstrated, where the product will be demonstrated, and, when applicable, what level of technology will be disclosed.

Tip 4 – Compliance to set up processes for any department to collaborate with trade compliance prior to shipping sample or demonstration commodities. Shipments of samples, demos, or prototypes are often treated like any commercial shipment and require the same level of care and compliance information.

Tip 5 – Demand forecasting and trade compliance must work closely together to a) advise of any surges in shipments; and b) stay abreast of regulations that alter duty or tax rates which may impact demand.





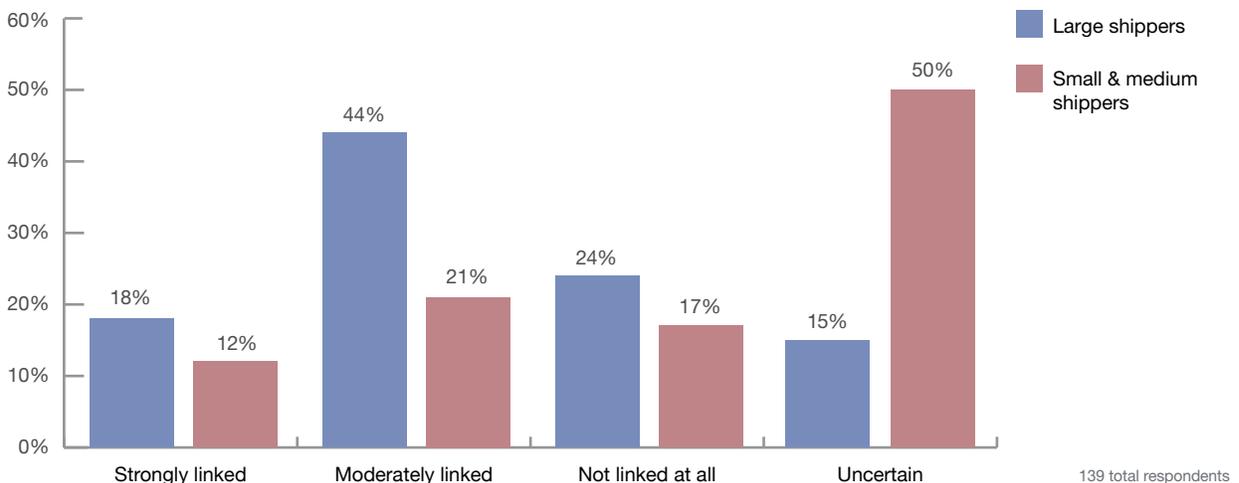
More than 60 percent of respondents report a link exists between their trade compliance and tax strategies. The reality is that there is a regulatory link between transfer pricing and customs valuation in the U.S. and many other countries around the world. This is a clear opportunity, and one which suggests these companies understand that compliance does not exist in a vacuum. Valuation reconciliation, as well as an understanding of total landed cost to calculate tax exposure, are two activities requiring collaboration between these departments.

*if trade compliance is not adequately integrated with the proper teams, it stands to reason they won't be properly engaged with a company's tax strategists either.*

What is surprising is that 24 percent of large shippers and 17 percent of small/medium-sized shippers say their tax and compliance strategies are not linked at all. In addition, a shocking 50 percent of smaller importers say they are uncertain about where the two departments are linked.

Considering the vast preponderance of respondents in this study are import professionals, one can only imagine that they are extremely frustrated by the lack of integration between trade compliance and tax strategy. The findings in Fig. 9 dovetail with those in Fig. 8—if trade compliance is not adequately integrated with the mergers and acquisitions teams, new market strategy and product development, and demand planners, it stands to reason they won't be properly engaged with a company's tax strategists either. Either these companies for whom compliance and tax are not linked are structured in silos, or trade compliance has not attained enough of a presence in a company to get seats at these very important tables.

**Figure 9: Integration between Trade Compliance and Tax Strategy**



## Section IV: Profile of an Importer

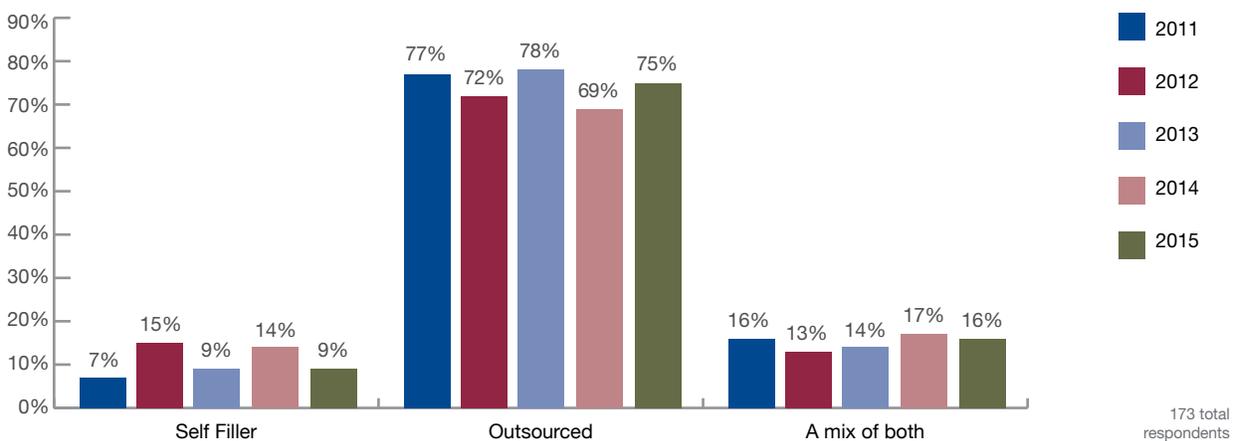
This year's report introduces a new section designed to provide a snapshot of the average importer (as if that even exists). This section is intended to provide a baseline against which readers can measure their own import characteristics.

On a basic level, the nature of an importer's entry filings provides an instant snapshot of how seriously that company takes its import process. This year continued a trend observed over the past five years of compiling this report: increased self-filing one year, followed by a reversion to an outsourced model the next year.

Over the five-year period, three quarters of respondents on average outsource their customs entry filings. There doesn't appear to be any indication of a significant trend toward self-filing.



**Figure 10: Nature of Customs Entry Filings—Shippers**

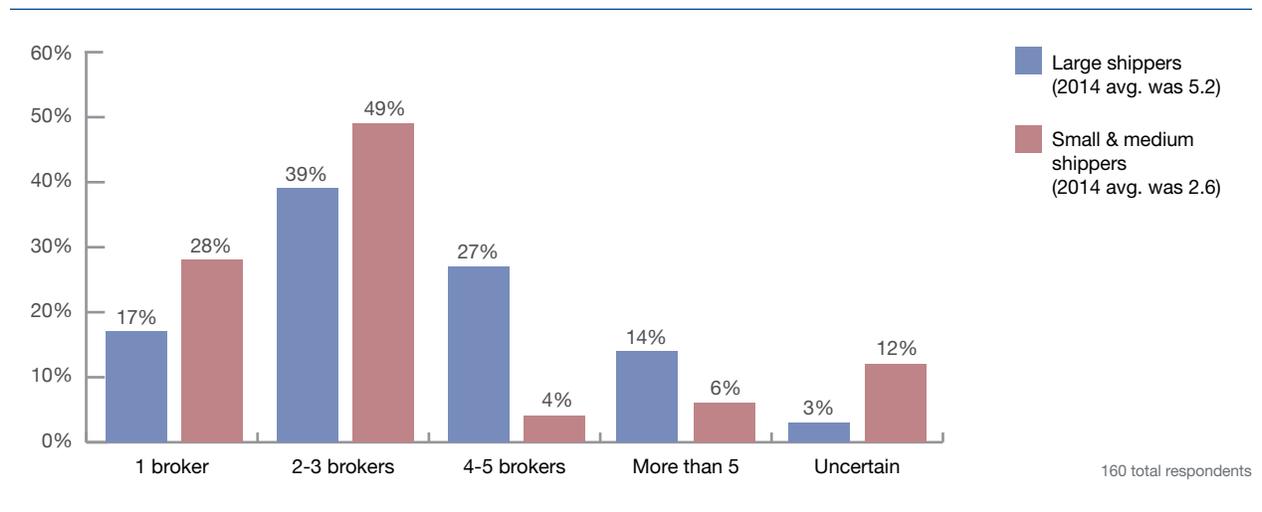


Most small or medium-sized shippers generally use two to three brokers for their import operations. More than a quarter of small to medium-sized importer respondents only use one broker, and it's likely that that broker is an express carrier.

Most large shippers use at least two brokers and only 17 percent have narrowed their customs clearances down to one broker. In fact, two in five large shippers use four or more brokers. This is likely due to the complexity of their supply chains and the variety of their product mix. These larger shippers may require specific brokerage services near a postponement operation and a highly technical broker near a manufacturing site. That said, there is always an inherent issue with having multiple brokers. Having clear standard operating procedures (SOPs), providing brokers with product matrices, and using the free Automated Commercial Environment (ACE) Customs portal to audit import activities will help manage multiple brokers and provide shippers with a clear path towards a risk-based mitigation strategy.



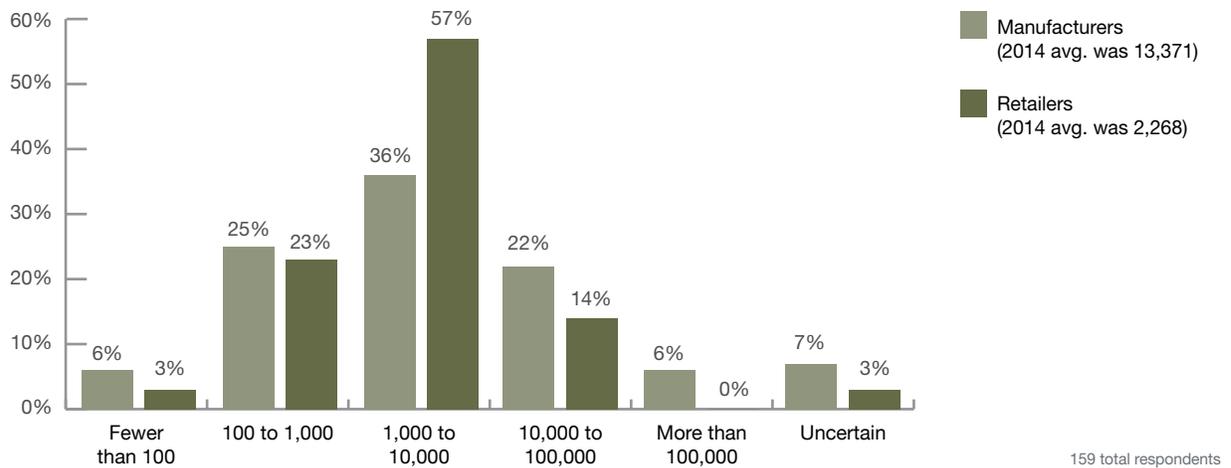
**Figure 11: Number of Brokers Used**



Retailer respondents indicated they have a bigger burden when it comes to number of entries—close to 60 percent process between 1,000 and 10,000 entries per year, compared to barely a third of manufacturers. Almost one quarter of manufacturers and retailers are filing between 100 and 1,000 entries per year.

Retailers tend to have more entries because they may ship orders directly to stores. They may also split up factory orders to avoid holds due to other government agency reviews. An example is breaking out all women’s coats with fur trim from a larger shipment to avoid Fish and Wildlife review delays for the entire shipment.

**Figure 12: Entries per Year**



Cost has clearly emerged as the number one driver for import operations. In an effort to drive the cost of importing down, 73 percent of large shippers and 52 percent of small and medium shippers take advantage of free trade agreements. But there's a sharp decline in the participation in other duty avoidance programs for small to medium-sized shippers, while a sizable percentage of large shippers are leveraging American goods returned, duty drawback and free trade zones.

In fact, nearly 25 percent of small to medium-sized shippers responded that they are not participating in any customs avoidance programs. It's important to note that participation in duty free programs requires management and oversight, so it's reassuring that these smaller shippers are not exposing themselves to potential penalties when they may not have the internal resources to properly manage duty avoidance programs or invest in technology to do so.

**Figure 13: Participation in Duty Avoidance Programs**

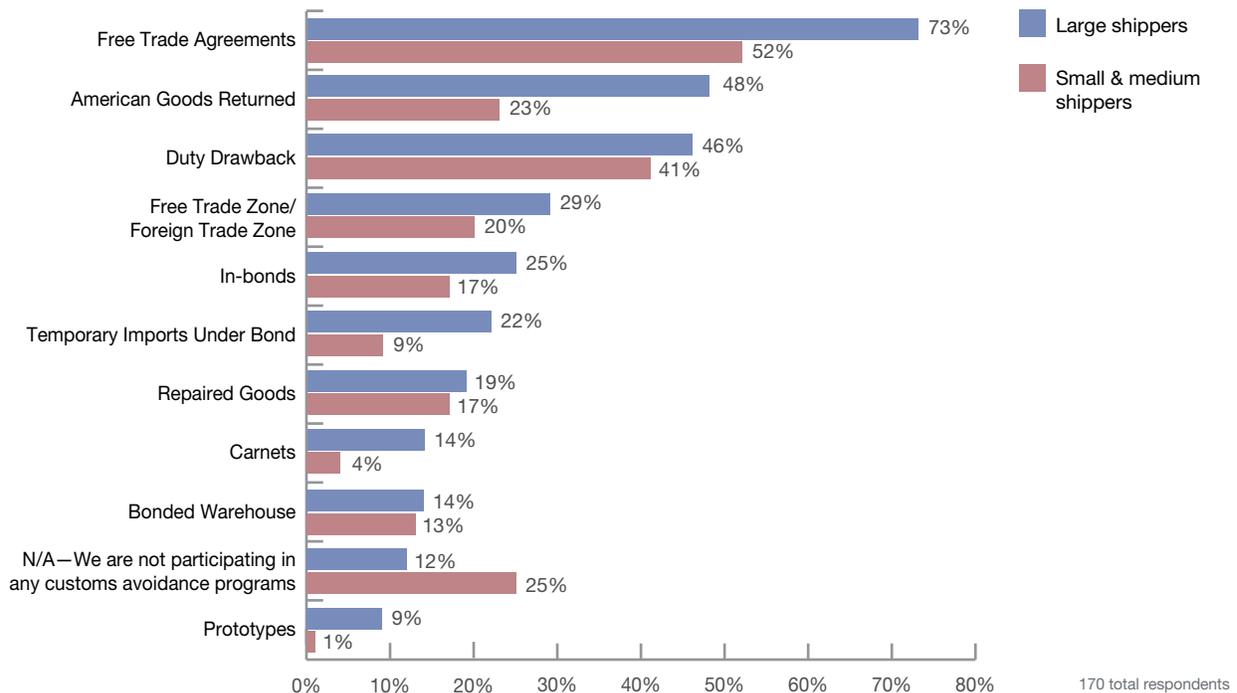
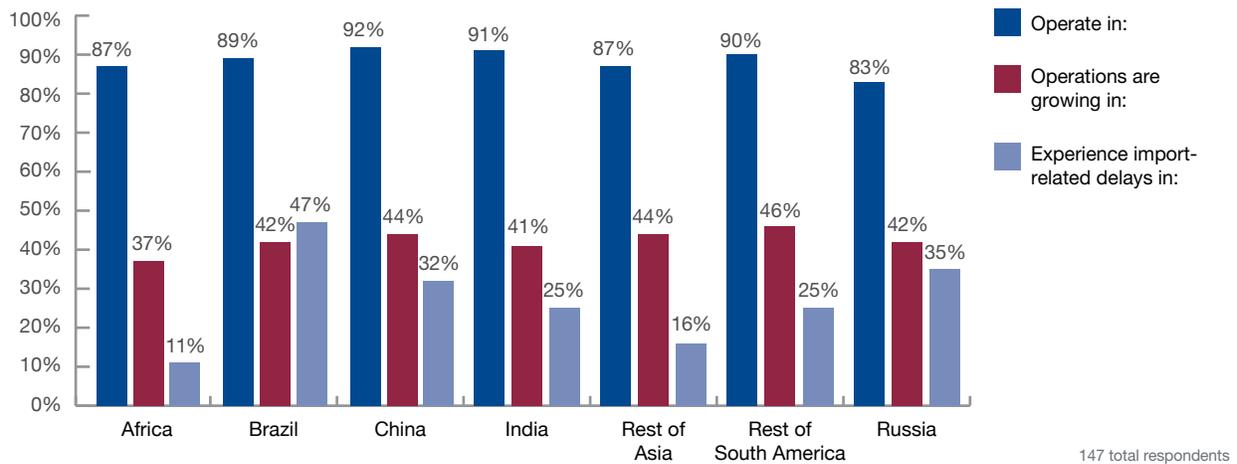


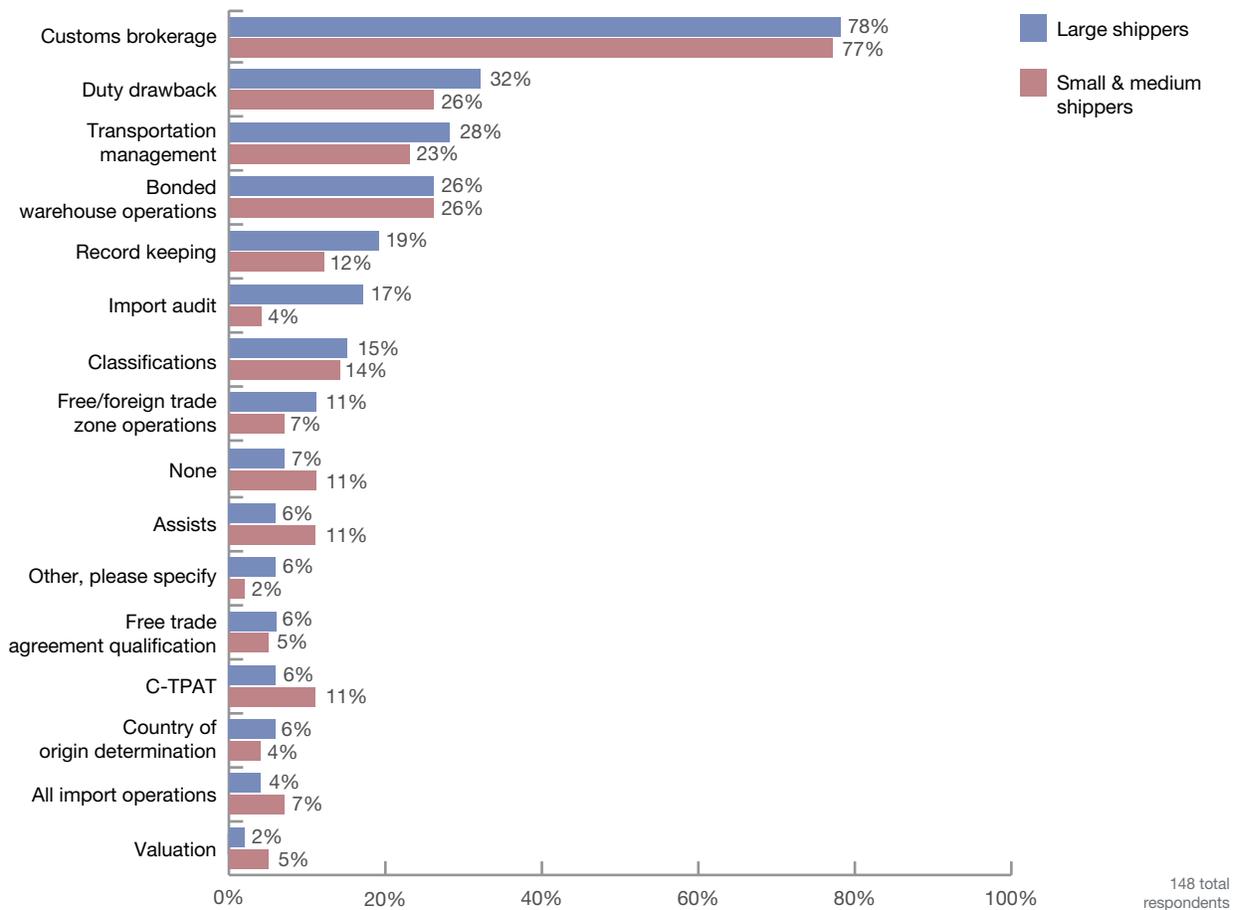
Fig. 14 emphasizes the truly global nature of modern supply chains. Close to nine in 10 respondents operate in nearly every geography surveyed in this report. The opportunities are everywhere, but so is exposure to risk. Respondents indicated the biggest import-related delays are occurring in Brazil, Russia and China. This suggests that companies might be best served by investing in more robust compliance operations in each of these countries to help improve customs clearance time, especially since a third to 40 percent of respondents are growing their operations in all these regions.

**Figure 14: Importer Footprint**



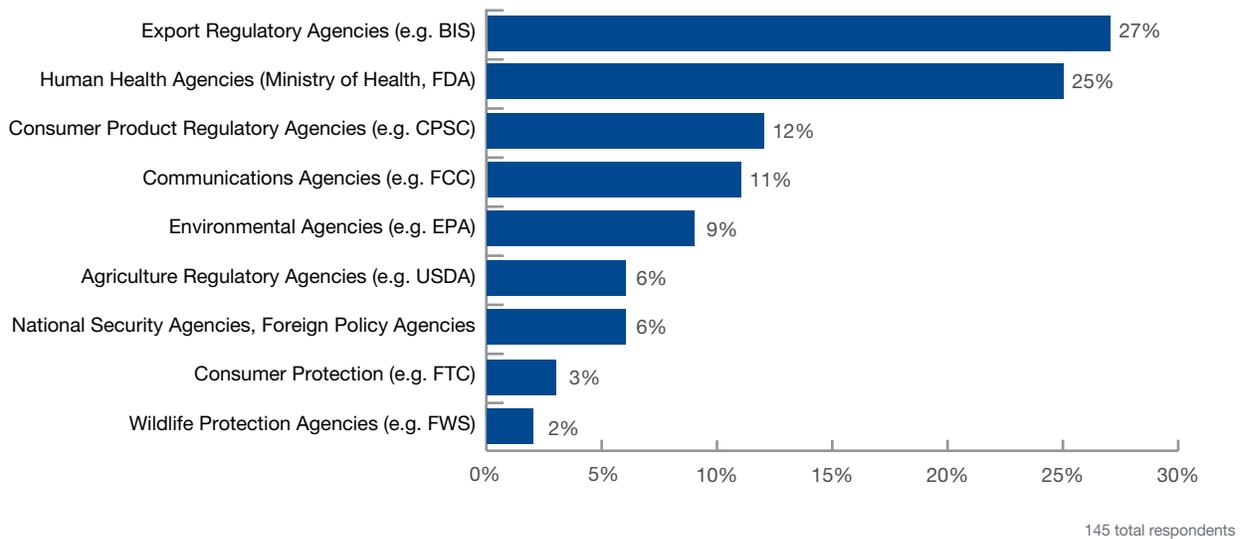
While a five year average of 74 percent of all importers outsource customs brokerage, more than a quarter of all shippers are outsourcing duty drawback. Roughly a quarter of shippers outsource bonded warehouse operations. In terms of classification outsourcing, the data in Fig. 15 jives with that in Fig. 6—shippers of all sizes are largely handling this function in-house.

**Figure 15: Processes Managed by Outside Provider**



Given the wide spectrum of shippers and logistics companies surveyed for this report, it's little surprise that there was no consensus on a primary agency associated with clearing goods. Human health agencies are involved in roughly 25 percent of all clearances, while consumer product and communications agencies represent between 11 to 12 percent of clearances. Environmental, agriculture and national security agencies represent single digit percentages of clearances.

**Figure 16: Primary Regulatory Agency Involved in Clearance of Goods**



# Section V: Import Technology Usage

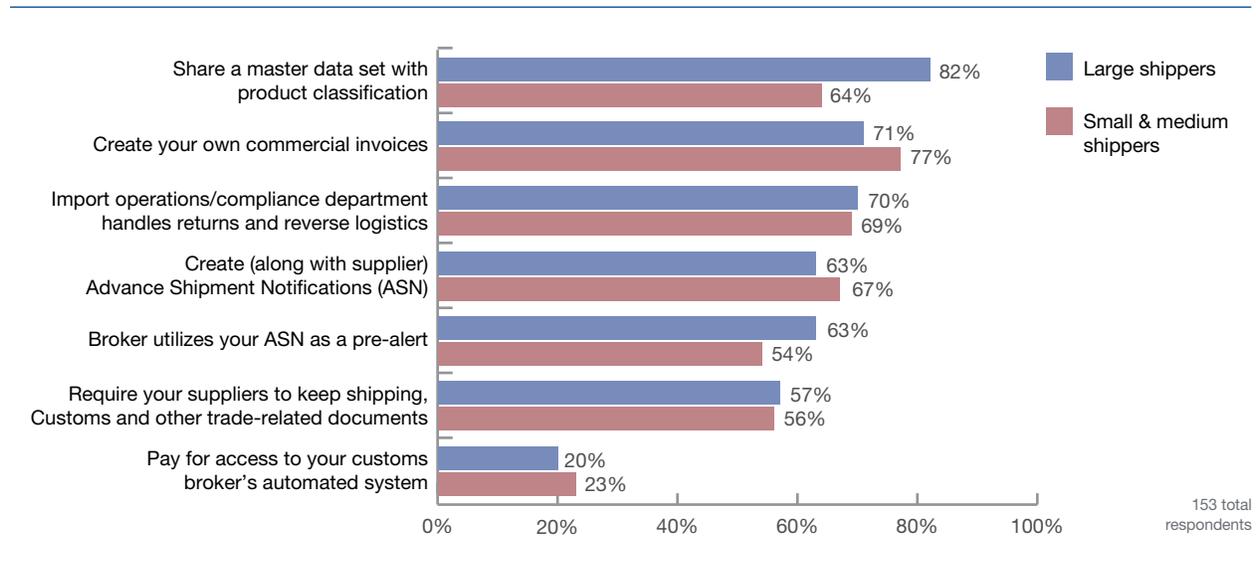
The use of technology in import compliance and operations has always been a core part of this annual benchmarking exercise. In many ways, usage of technology is an indicator of both the market’s sophistication when it comes to importing as well as its willingness to invest and think more strategically about meeting its compliance and transportation requirements. This is a broad conclusion, but investment in technology signals a move away from fixation on short-term cost and toward a focus on long-term strategic goals.

The fact that 82 percent of large shippers share a master data set with product classification is encouraging, and it’s also a great sign that an overwhelming majority of both large and small/medium-sized shippers create their own customs invoices. One unknown is whether these shipper-created invoices actually include compliance-related information, which they should.

There is, however, room for improvement for small and medium-sized shippers to share a master data set with product classification, where 36 percent do not follow this best practice. Also notable is that fewer than 25 percent of both large and small/medium-sized shippers pay for access to the broker’s automated system. Previous reports in this series have emphasized that this is a missed opportunity to increase compliance. As can be seen later in this section in Fig. 20, this continues to validate the idea that shippers consider the integration of transportation and compliance functions into fewer systems as a low priority.



**Figure 17: Documentation Management**



While companies generally strive to reduce the number of systems they use across their enterprise, the reality is that most companies use multiple systems to address a single process or function. Sometimes that means multiple instances of the same system, and sometimes it means using multiple systems (or more precisely, multiple modules within the broader systems they use). It's little surprise this is the case when it comes to import management, which could encompass everything from compliance to operations to sourcing to supplier finance, depending on where a company draws the boundaries on its import processes.

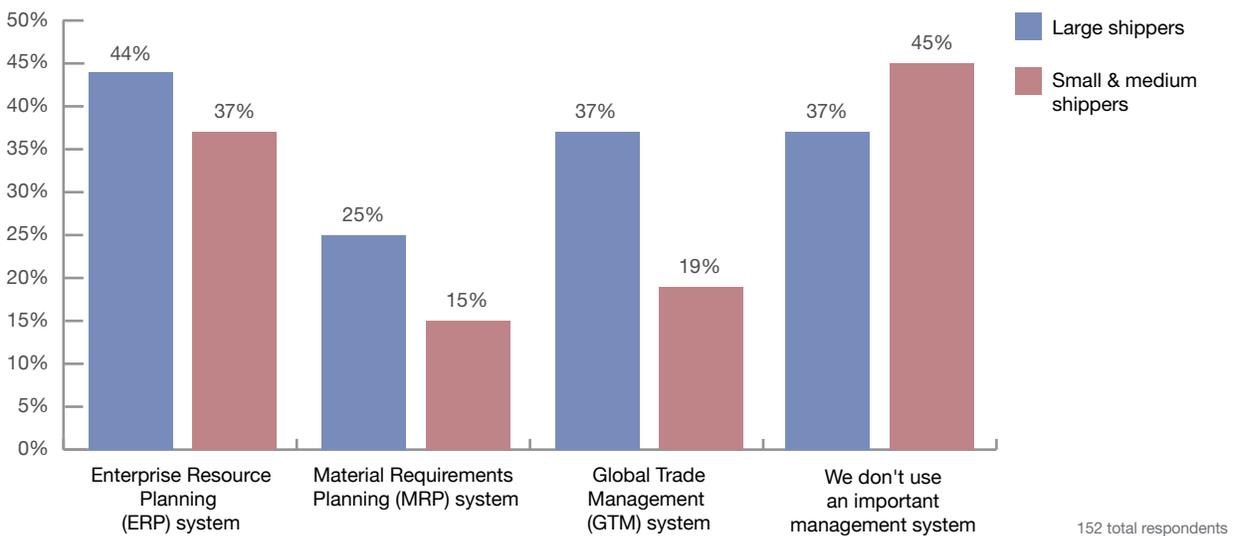
Fig. 18 shows that companies large and small use a variety of systems to address import management, with larger shippers leaning more heavily on their ERP and GTM tools than their smaller peers. Large shipper respondents were twice as likely to use a GTM tool to manage imports than small and medium-sized shippers. That's a sign that increased size can often mean increased complexity, and thus a system more tightly focused on the specific demands of importing.

Also notable is that nearly half of the small and medium-sized respondents to this survey said they don't use a system to manage imports. And even more surprising is that more than a third of large shippers don't use one.

That so many companies engaging in international trade have yet to use any system at all to improve efficiency and reduce risk is fairly shocking.



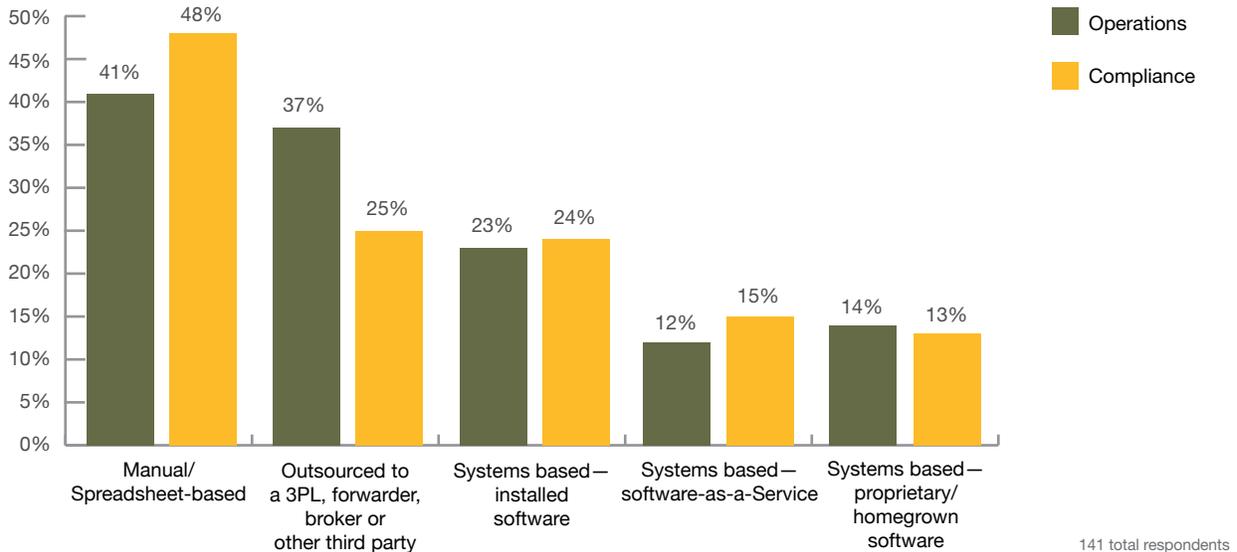
**Figure 18: Import Management System**



This lack of automation is further hammered home in Fig. 19, where nearly half of respondents said they rely mostly on spreadsheets and manual processes to handle import compliance. More than 40 percent do the same in terms of operations. One significant concern with this type of management choice is the risk that spreadsheets are very easily corrupted or changed, which significantly jeopardizes data quality.

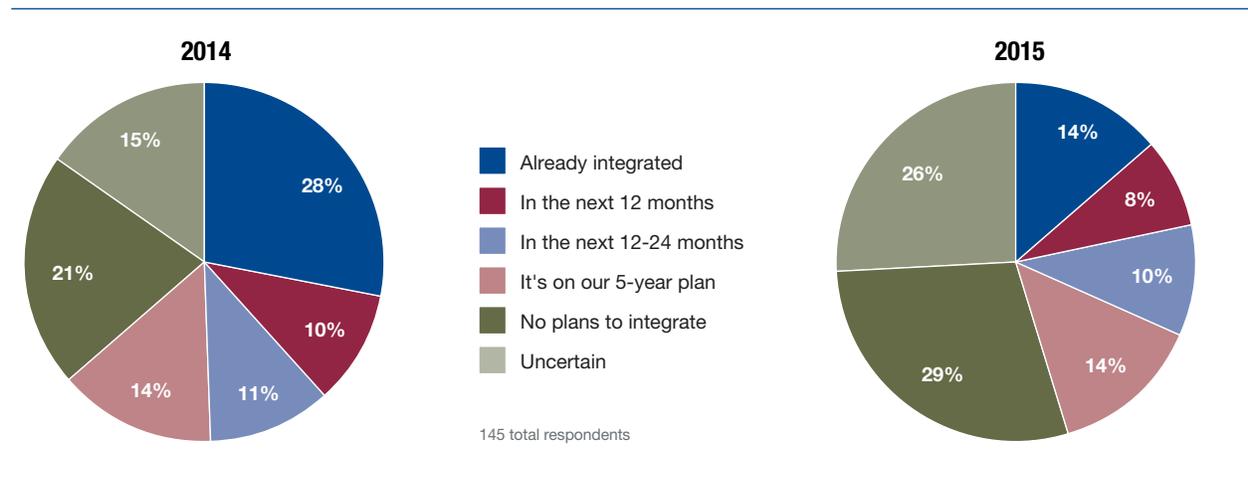
Among companies that do use systems to manage their import operations and compliance, there's a fairly even split among which software they use between software-as-a-service (SaaS) applications, installed software, and systems developed in-house. A quarter of respondents outsource compliance management functions to their brokers or logistics companies while more companies (37 percent) outsource operations to a third party.

**Figure 19: Nature of Import Processes**



If we compare the degree to which companies plan to integrate their transportation and compliance functions into fewer systems from last year, it appears to be far lower of a priority for respondents this year. It can be said that roughly 70 percent of respondents this year don't have such an integration as a key project to tackle in the near term, since 55 percent are either uncertain of such an initiative, have no plans to integrate, or only plan to do so in the next five years. Indeed only 18 percent said they plan to integrate these functions over the next two years, and the number of respondents this year who indicated these functions are already integrated is half of what it was in 2014. Importers appear to have moved on to other goals, perhaps realizing that the integration across these functions is a difficult target, especially if a company is locked into the use of multiple, existing systems and, as discussed above in this report, has not yet integrated compliance into these other organizations.

**Figure 20: Plans to Integrate Transportation Management, Global Trade Management and Compliance**





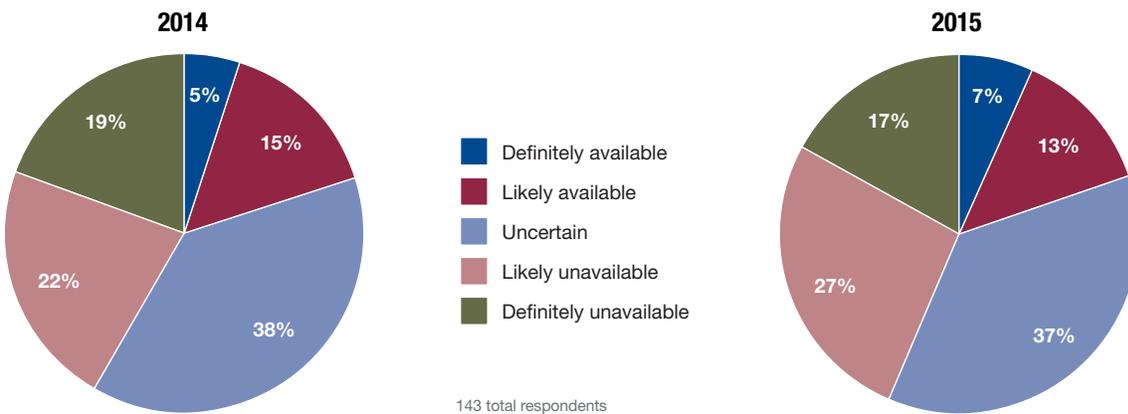
Nearly a third of respondents to the 2014 Import Benchmark Study said they were uncertain about whether funding was available for import management technology. That led to this report concluding that compliance and operations practitioners were either unsure about IT funding levels despite inquiring about it, or that they had never even bothered to find out whether such investment was available.

The fact that roughly the same amount of respondents this year were uncertain leads to the conclusion that import professionals just aren't being given clarity about their ability to invest in IT. What's most striking about Fig. 21 is how little has changed—most respondents indicate they have little assurance of the availability of funds to procure or build import management systems.

Indeed, the securing of funding for such projects is a major roadblock. Compliance and logistics are vying for precious IT dollars that many of their cohorts in other departments are also vying for. Import-specific projects need internal sponsorship and they need to be presented in such a way as to denote not just cost savings, but more importantly risk mitigation.

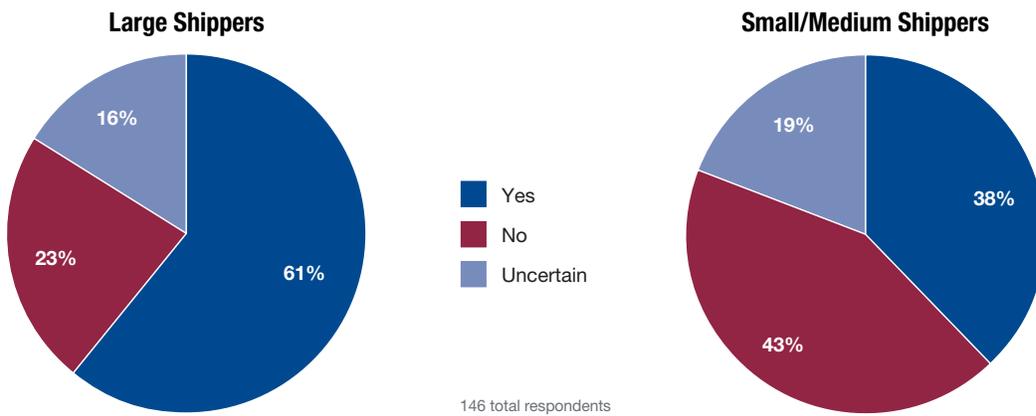
They also need to be delivered in such a way as to highlight the impact that compliance and logistics have on virtually every other department in a company that imports. The onus is on supply chain professionals to improve the data in this chart in 2016.

**Figure 21: Is Funding Available for Import Management Technology**



Meanwhile, about half of shippers indicate they use functionality from government import systems around the world. The number, little surprise, is much higher among large shippers, where more than 60 percent use such systems to track their imports, compared to less than 40 percent of small and medium-sized shippers. Indeed, more of these smaller shippers said they don't use such government systems than do use them, and a case could be made that it's more important for smaller shippers to use systems since they generally have smaller budgets to invest in technology themselves.

**Figure 22: Use of Government Systems to Track Imports Globally**



## Section VI: Best Practices

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Each *American Shipper* research initiative seeks to provide readers with a list of go-forward ideas to incorporate in their own businesses. This year, the authors suggest:

- The single-most important action that companies must take to better integrate compliance with any department in the organization is to secure support and sponsorship from senior executives. Accountability and responsibility lack authority and will not succeed without executive buy-in. Obtain a written statement of corporate commitment to compliance from an executive. Document the statement in internal controls publications and corporate-wide training, cascade it throughout every department in the corporation, and point to it in trade-related policies and procedures. Companies may also leverage this statement by implementing an escalation path, beginning with any job role responsible for trade compliance, leading to the department accountable for the oversight of trade compliance, and ultimately landing at the doorstep of the executive sponsor. This step paves the way for understanding how trade compliance can be leveraged for success in any corporation.
- Take the time to review product classifications. Incorrect classifications may increase the chance of time-consuming Census alerts, additional duties, fines, and other regulatory agency reviews.
- Don't just classify products, share the classification data and audit it to make sure it's being used correctly.
- Routinely audit entry declarations to ensure that products are being correctly declared to the local customs authority.

*Companies need to secure support and sponsorship from senior executives. Accountability and responsibility lack authority and will not succeed without executive buy-in.*

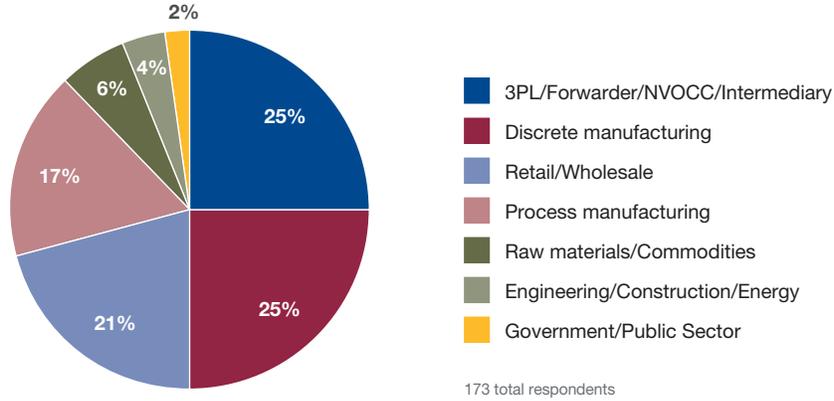
Whether it's your first time reading our Import Benchmark Study or you're ready to dive in and take a strategic turn with your compliance operation—here's our 10-step program to get strategic value out of your import operations:

1. Stop spending, analyze your spend instead.
2. Invest and training your compliance team, they'll find even more ways to reduce costs.
3. Undertake a transfer pricing/customs valuation study.
4. Capture your trade compliance metrics and manage your business.
5. Review your classifications for opportunities to engineer your classifications.
6. Use Free Trade Agreements whenever it is cost efficient to do so.
7. Leverage other duty avoidance strategies.
8. Give your customs brokers clear guidance and data.
9. Leverage technology.
10. Audit your operations.

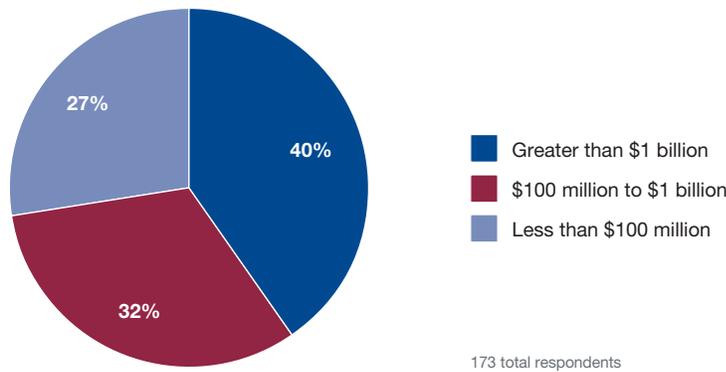


# Appendix A: Survey Demographics

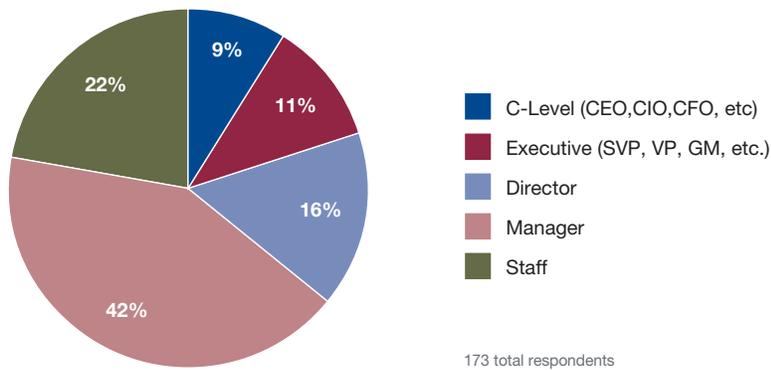
**Figure 23: Industry Segments**



**Figure 24: Company Size**



**Figure 25: Job Titles Surveyed**



# Appendix B: About Our Sponsors



## Amber Road

Amber Road's (NYSE: AMBR) mission is to improve the way companies manage their international supply chains and conduct global trade. As a leading provider of cloud based global trade management (GTM) solutions, we automate the global supply chain across sourcing, logistics, cross-border trade, and regulatory compliance activities to dramatically improve operating efficiencies and financial performance. This includes collaborating with suppliers on development, sourcing and quality assurance; executing import and export compliance checks and generating international shipping documentation; booking international carriers and tracking goods as they move around the world; and minimizing the associated duties through preferential trade agreements and foreign trade zones.

Our solution combines enterprise-class software, trade content sourced from government agencies and transportation providers in 145 countries, and a global supply chain network connecting our customers with their trading partners, including suppliers, testing/auditing firms, freight forwarders, customs brokers and transportation carriers. We deliver our GTM solution using a Software-as-a-Service (SaaS) model and leverage a highly flexible technology framework to quickly and efficiently meet our customers' unique requirements around the world.

Amber Road's [Import Management](#) solution automates import activities and provides critical information for decision-makers, including the data needed to measure key performance indicators. By analyzing a purchase order and associated product information, our solution performs vital compliance, import control, and business rules validations for each line item and provides a centralized view of import compliance.

For more information, please visit [www.AmberRoad.com](http://www.AmberRoad.com), email [Solutions@AmberRoad.com](mailto:Solutions@AmberRoad.com) or call 201-935-8588.



## Appendix B: About Our Sponsors, Continued



### Livingston International

Livingston International simplifies the complexities of importing and exporting, giving businesses the freedom to focus on their core functions. From clearing single shipments to managing global supply chains, clients in North America and across the globe turn to Livingston for world-class customs brokerage, trade consulting, global trade management and freight forwarding solutions. Our clients also rely on us for innovative technology solutions, including the TradeSphere® suite of automation software.

Because the world of customs and trade is constantly changing, Livingston's brokerage and compliance solutions are tailored to meet the unique needs of today's businesses. No matter the size of your shipment or the location of your supply chain partners, our solutions are flexible and scalable to fit your requirements.

To learn more about Livingston and our services, visit [www.livingstonintl.com](http://www.livingstonintl.com).



## Appendix C: About Our Partners



### **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).



# 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 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 Report
- Global Transportation Procurement Benchmark
- Global Transportation Management Benchmark
- Global Transportation Payment Benchmark
- Import Operations & Compliance Benchmark
- Export Operations & Compliance Benchmark

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