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# Import Operations and Compliance Benchmark Study

*Chasing a Moving Target*

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Part of *American Shipper's*  
Import/Export  
Benchmark Series



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# Executive Summary

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Welcome to the sixth annual edition of *American Shipper* and BPE Global's Import Operations and Compliance Benchmark Study. After compiling and analyzing data about import supply chains the last six years, one thing has become clear: importers have become more savvy with each passing year about the complexities of managing global import operations.

They are getting better at understanding the impact of changing regulatory regimes both in the United States and in their sourcing locations. They're eyeing the possibility of automating functions both on the operations and compliance side of their import process. They're planning earlier, gaining visibility during, and settling the payment of their shipments more efficiently.

Just one problem—importing gets complex at an even faster rate. Often, an importer finds they have done the right thing, only to find that customs regulations have changed, or the political stability of a sourcing location has taken a turn for the worse, or that transportation capacity on their lane has dried up. And those import managers find that, despite their best efforts, they aren't working toward an end goal, but rather chasing a moving target.

From late March through late May 2014, 250 qualified respondents participated in a 27-question survey covering organizational structure, training, responsibilities, operations, processes, costs, technology, and more.



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## Top concerns

Last year, this report asked the classic question of respondents: what keeps you up at night as an importer. This year, the question was reprised with some quite different results. For one, worry about transportation rates has eased a bit compared to a year ago. Second, worry about potential port disruption rose markedly (likely due to worries about a labor strike or lockout at U.S. West Coast ports in mid-2014).

Some other interesting results this year:

- Retailer and 3PL respondents this year are three times more likely to be worried about chassis availability as manufacturers
- Manufacturers are twice as likely as retailers to be worried about delays at customs
- None of the three categories seem at all worried about near-shoring

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## Duty Avoidance

All shippers report an increase in leveraging duty avoidance programs (5 percent more small and medium shippers and 6 percent more large shippers). In particular, shippers of all sizes increased their use of American goods returned, free trade agreement, and in-bond movements.

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Participation in these types of special trade programs requires a great deal of coordination across many job functions as well as stringent recordkeeping. Participation in duty avoidance is not for every company due to the difficulty involved in administering these programs. The act of qualifying goods under an FTA and administering a corporate preferential trade program requires an understanding of the lower level materials or components, classification of these items, as well as the development of a cost/benefit analysis related to participating in the program.

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### **C-TPAT**

This year, respondents were asked to specify the timeframe for their most recent C-TPAT certification. Interestingly, a quarter of retailer respondents said it has been more than two years since the last validation, higher than either manufacturers or 3PLs report. In a positive sign for the integrity of the program, a relatively low percentage across all three groups said they are C-TPAT members but have not had a validation.

But the number that jumps out most from this question is that more than a third of manufacturer respondents and a quarter of retailers and 3PLs are not C-TPAT members. The benefits of C-TPAT continue to be somewhat of a moving target for large parts of the industry, whether members or not.

### **Broker's Role in Classification**

Customs brokers are not expected to be experts in their clients' corporate priorities, the functions or features of a product, administrative rulings received by their client, nor are they necessarily aware of such things as the channels of trade or environment of sale. So a customs broker should not be tasked with classification of products. While it is a positive sign that 78 percent of all manufacturers and 67 percent of retailers determine classification and share this with their broker, with controls in place to ensure that the classification is not subsequently modified, a gap still remains. And looking at this from the reverse angle, 22 percent of manufacturers and 33 percent of retailers do not use this best practice.

### **Technology Investment**

Around three-quarters of respondents said that funding to invest in import technology is either unavailable, or they're uncertain about its availability. That matches similar levels of perceived funding availability across *American Shipper* benchmark research in 2014.

In fact, fewer than 5 percent of shipper respondents said funding was definitely available (slightly more for 3PLs, who tend to be more technologically focused when it comes to investments). The high percentage of respondents across all categories who said they were uncertain about whether funding is available for technology (two in five manufacturers, for instance) suggests that most import managers have not asked themselves or their company this basic question, a necessary first step in becoming more sophisticated from a technology standpoint.





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**What's outsourced?**

Retailers and manufacturers have differing priorities when it comes to what they're willing to outsource to their service providers. Manufacturer respondents are, nearly across the board, more likely to outsource elements of their compliance process than retailers. Specifically, they are twice as likely to outsource duty drawback, more than three times as likely to outsource import audit, and nearly three times as likely to outsource free trade zone/foreign trade zone operations.

The two categories are nearly equal in terms of outsourcing customs brokerage, with nearly three quarters of all shippers seeing the need to rely on brokers for this important facet of their import operations.

Only about half of respondents with import systems have already integrated global trade management and global transportation management, or plan to do so in the next two years. The other half either has it in their five-year plan, has no plans to integrate, or is uncertain. Having a plan to integrate these vital, interconnected functions is critical to making the import process more efficient. The good news is that the number of companies that see the benefit of integrating these functions—either because they already have or plan to do so in the short-term—has increased from last year's report.

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**Best Practices**

1. Determine the root cause of customs filings errors to see whether the error is an anomaly or a systemic problem.
2. Classification is best handled internally by the importer of record, and should be seen as a competitive advantage and a tool to avoid compliance penalties.
3. Importers must bear the responsibility for recordkeeping and retention.
4. Moving to a systems-based approach for managing imports allows a shipper to maintain the power of choosing whether to outsource a specific function in its import supply chain.
5. Determine whether funding for import technology is available before you get stars in your eyes dreaming about all the functions that can be automated.

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# Section I: Introduction

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## Study Background

Welcome to the sixth annual edition of *American Shipper* and BPE Global's Import Operations and Compliance Benchmark Study. After compiling and analyzing data about import supply chains the last six years, one thing has become clear: importers have become more savvy with each passing year about the complexities of managing global import operations.

They are getting better at understanding the impact of changing regulatory regimes both in the United States and in their sourcing locations. They're eyeing the possibility of automating functions both on the operations and compliance side of their import process. They're planning earlier, gaining visibility during, and settling the payment of their shipments more efficiently.

Just one problem—importing gets complex at an even faster rate. Often, an importer finds they have done the right thing, only to find that customs regulations have changed, or the political stability of a sourcing location has taken a turn for the worse, or that transportation capacity on their lane has dried up. And those import managers find that, despite their best efforts, they aren't working toward an end goal, but rather chasing a moving target.

Regular readers of this benchmark study will recall the origins of this report were tied to requirements importers faced in meeting new Importer Security Filing requirements back in 2009. This report has expanded since then to take into account the growing complexities and responsibilities importers face.

*American Shipper* and BPE Global designed this year's benchmark study of import operations and compliance to provide readers with a deeper understanding of how these moving targets are impacting U.S. import operations and compliance managers. This report should be familiar to regular readers, as it borrows heavily from the format used in previous versions. There's good reason for that—this is intended to be a benchmarking tool for readers to use to gauge their operations year over year.

From late March through late May 2014, 250 qualified respondents participated in a 27-question survey covering organizational structure, training, responsibilities, operations, processes, costs, technology, and more. The following study results are shown in an aggregate form and segmented to draw meaningful comparisons within the industry and ultimately call out actionable best practices.

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.

*This year's benchmark study of import operations and compliance was designed to provide readers with a deeper understanding of how these moving targets are impacting U.S. import operations and compliance managers.*



## Terminology

This study makes use of several industry terms and acronyms that you may or may not be familiar with. These definitions and explanations should be kept in mind when going over the results and trends that follow.

**Full Time Equivalent (FTE)**—The number of working hours that represents one full-time employee during a fixed time period, such as one month or one year.

**Global Trade Management (GTM)**—This is the practice of streamlining the entire life-cycle of global trade across order, logistics, compliance, and settlement activities to significantly improve operating efficiencies and cash flow, while reducing risk. GTM includes, but is not limited to, trade compliance, visibility to shipments, total landed cost, trade security, and trade finance.

**Importer Security Filing (ISF)**—Importers or their agents (e.g., licensed customs broker) must electronically submit advanced cargo information to the U.S. Customs and Border Protection in the form of an ISF. This only applies to cargo arriving in the United States by ocean vessel. The ISF covers shipments intended to be entered into the United States including those destined to a Foreign Trade Zone. Importers, or their agents, must provide eight data elements no later than 24 hours before the cargo is laden aboard a vessel destined to the United States. Two additional data elements must be submitted as early as possible, but no later than 24 hours prior to the ship's arrival at a U.S. port.

**LSP/3PL**—Logistics service providers (LSPs) are companies that charge a fee for supply chain services, including but not limited to transportation, distribution, warehousing, and customs services. A third-party logistics provider (3PL) is a non-asset-based LSP.

**Systems-Based vs. Manual**—Many of the data points represented in these pages show the differences between companies that use a systems-based approach for import management versus those that manually handle this process. For this report, “systems-based” and “automated” designate companies that use at least one application to facilitate their import functions. These do not mean that human interactions have been entirely or even mostly eliminated. Likewise, “manual” does not mean these firms do not use e-mail, fax and other technologies outside of import functions. There is an assumption that basic computing is ubiquitous in the logistics management field.



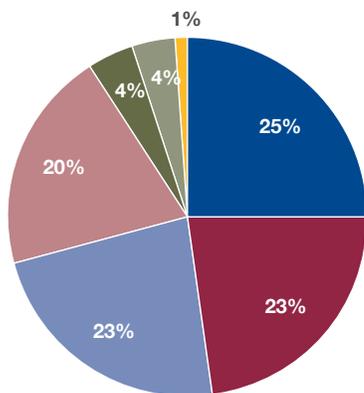
# Section II: Demographics

As with virtually all *American Shipper* survey-based initiatives, respondents to this year’s import benchmark study were evenly split among discrete and process manufacturers, retailers, and 3PLs, with a smattering of participants from other categories. This study makes frequent use of the comparison in import practices between retailers, manufacturers, and 3PLs.

There is also a relatively even distribution of respondents in terms of company size. As with other *American Shipper* benchmarking studies, this report looks frequently at how large companies (i.e. those with revenue of \$1 billion or more) compare to their small and medium counterparts (those with revenue of less than \$1 billion). That \$1 billion is an important dividing line for how companies handle tasks like the management of transportation and trade compliance.



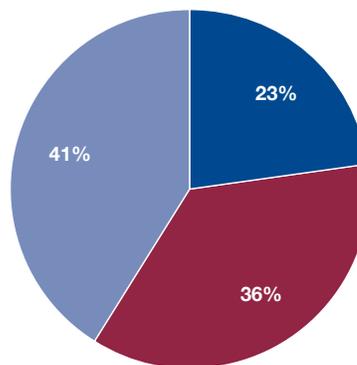
**Figure 1: Industry Segments**



- Discrete Manufacturing
- Process Manufacturing
- Retail/Wholesale
- 3PL/Forwarder/Intermediary
- Engineering/Construction
- Raw Materials/Commodities
- Government/Public Sector

248 total respondents

**Figure 2: Company Size**

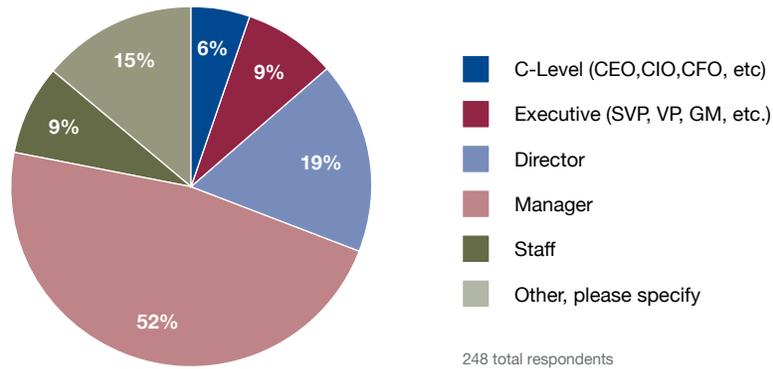


- Small—Less than \$100 million/year
- Medium—Between \$100 million and \$1 billion/year
- Large—More than \$1 billion/year

247 total respondents

More than half of the respondents in this year's study identify themselves as managers, with directors making up another 20 percent, and C-level or executives another 15 percent collectively.

**Figure 3: Job Titles Surveyed**



## Section III: Structure, Training, and Policies

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Between 2013 and 2014 the number of large shipper respondents reporting that compliance oversees import policy declined markedly (35 percent). That contrasts with small and medium shipper respondents. Interestingly, both small/medium and large shippers reported an increase in manufacturing/purchasing overseeing import policy.

The decrease in import policy oversight by a compliance team is somewhat on-trend with findings in previous years of this study. Back in 2012 this benchmark report identified that the Customs compliance department overwhelmingly reported to a supply chain function, as do operations teams, rather than a legal or corporate compliance team.

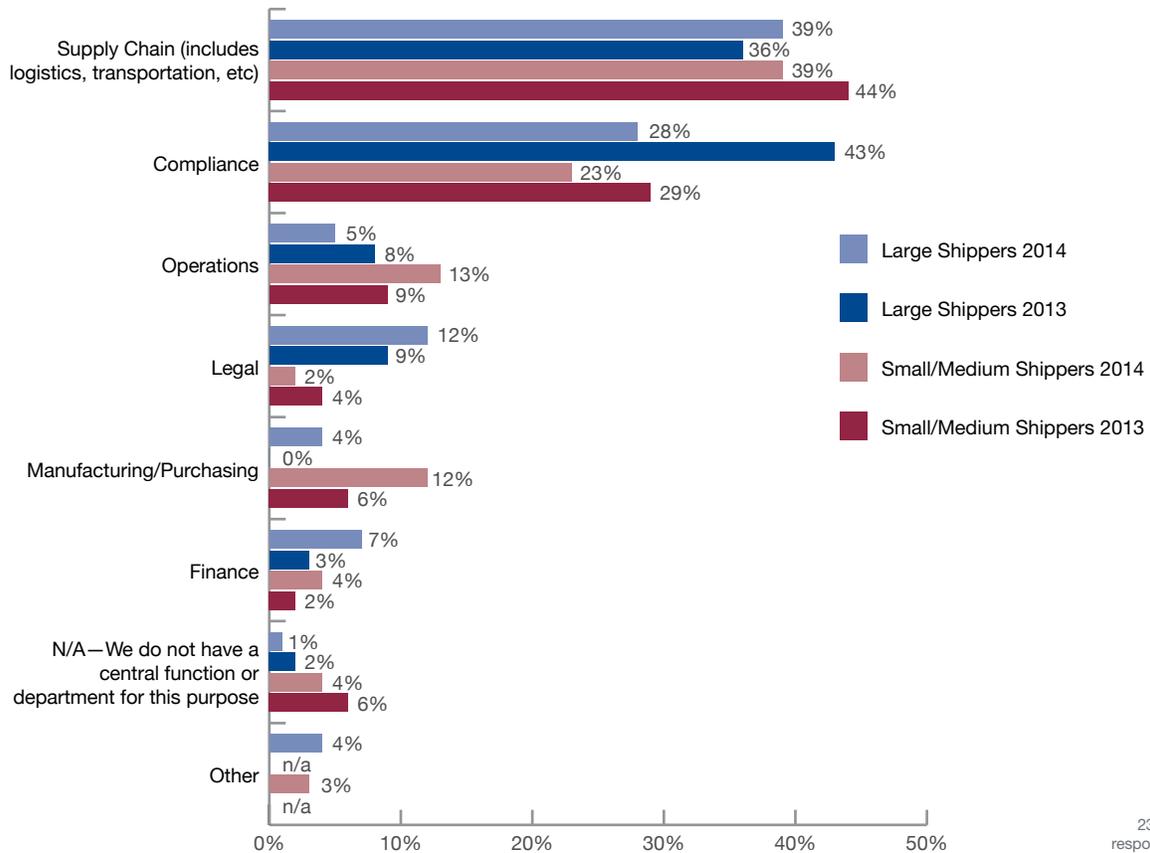
As reported in 2012, these findings are directly at odds with guidance given by customs authorities and customs professionals when advising companies on structuring their compliance departments.

On paper, placing the customs compliance function parallel to an operations team in the middle of a supply chain organization appears to create a conflict of interests as operations and supply chain teams are laser-focused on efficiency in their activities rather than compliance.



However, in 2012, we isolated the companies with this structure and compared this to their reported audit results. The findings were that companies with this reporting structure also reported stellar audit results. Therefore, it was inferred that even though customs compliance was placed amid an operationally-focused job function, it remained unbiased in its decisions and its recommendations were recognized and implemented.

**Figure 4: Who is Responsible for Import Policy?**



In the delivery of customs-related training there are some interesting trends between large shippers and their small and medium counterparts. The good news is that for the majority of both categories, training is targeted by job function and each job function is reminded to take a refresher course in trade-related training at regular intervals.

Despite this good news, there is still room for improvement. Both types of shippers report that trade-related training is merely encouraged, but not mandatory. A larger percentage of employees overall are merely encouraged to take trade related training rather than required to complete an annual refresher about trade related topic (19 percent of large shippers and 10 percent of small and medium shippers).



## Focus on Training

Encouraging, rather than mandating, training has been the surprising trend in trade-related training for several years. Many job functions impact global trade compliance and it is impossible to expect excellence and effectiveness from anyone if they are not aware of or understand a concept and how it relates to their job function and daily procedures.

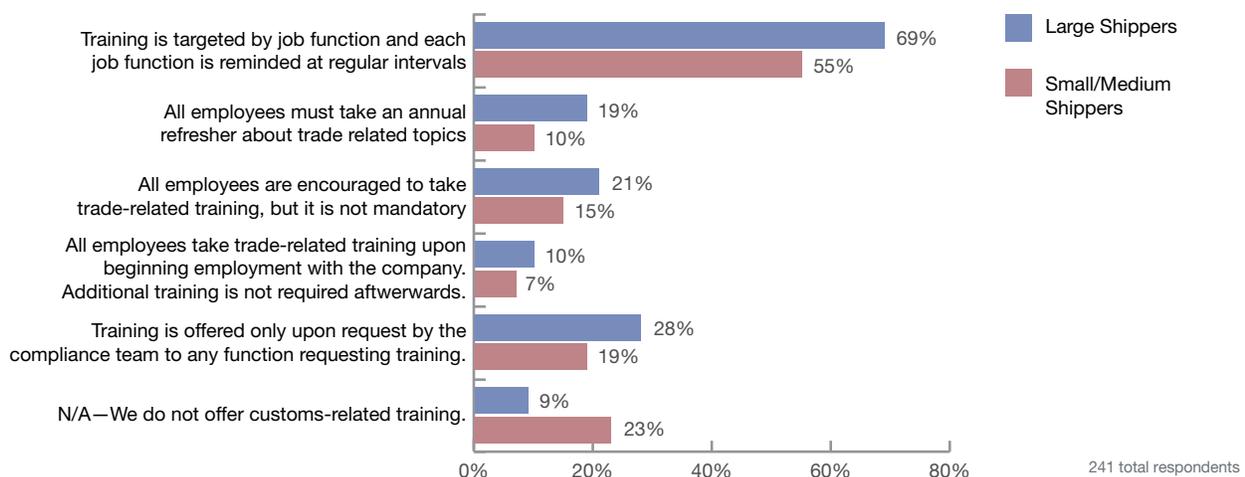
Any form of training, whether it is web-based, in a virtual classroom, or even simply over the phone, increases the understanding of how seemingly unrelated job functions impact operations and compliance. Some examples:

- Day to day tasks in order management with transactional data may impact classification and country of origin management.
- A corporate research and development team/product management team manage product roadmaps and are aware of function, feature, or sourcing modifications that could impact classification, duty exposure, and country of origin.
- Finance’s formulas for calculating product valuation should be shared with trade compliance in order to ensure a valuation methodology appropriate for customs purposes.

As the duties of each functional area differ, a company’s training program should also be tailored to each job function. The roles of finance and supply chain impact trade compliance differently than the roles of order management and product development. Accordingly, companies should customize their training to each job function. For example, the topic of customs valuation should be addressed with finance, but not necessarily with order management.

Finally, any corporate training program must speak to both savvy compliance teams and non-trade professionals. Outlining trade-related requirements and expectations in plain language ensures that the relevant regulations and trade compliance concepts are properly communicated. Like anything else, the more effort that is put into a training program, the better the result. A solid training program is the icing on any compliance program as requirements, regulations, and procedures are reinforced and clearly communicated companywide.

**Figure 5: Delivery of Customs-Related Training**



The results of this year's report are consistent with the findings in of the last three years in terms of customs entry filings—it's clear that a majority of shippers prefer to outsource their filings. This year, there is a dip in the percentage of systems-based respondents outsourcing their filings—53 percent, compared to 72 percent one year ago.

Conversely, a higher percentage of systems-based respondents reported this year that they self-file—24 percent, 10 percent higher than a year ago. Systems-based respondents also experimented with both self-filing and outsourcing filing as more of each segment report (23 percent) that they do both, also 10 percent higher than in 2013.

On the other hand, manual respondents held steady in all three categories, suggesting systems-based shippers are able to handle some of the entry filing in-house due to the technology they use.

**Figure 6: Nature of Customs Entry Filing**

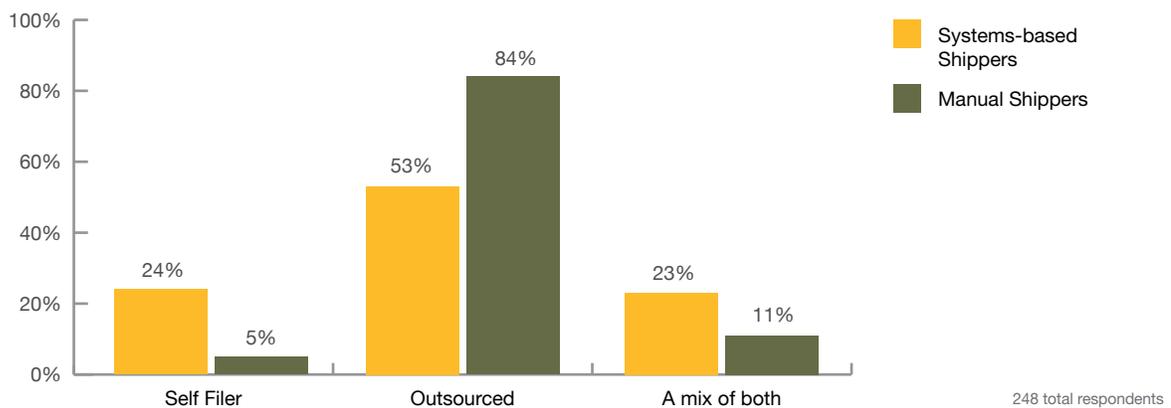


Fig. 7 nicely illustrates the increase in participation in duty avoidance programs. All shippers report an increase in leveraging duty avoidance programs (5 percent more small and medium shippers and 6 percent more large shippers). In particular, shippers of all sizes increased their use:

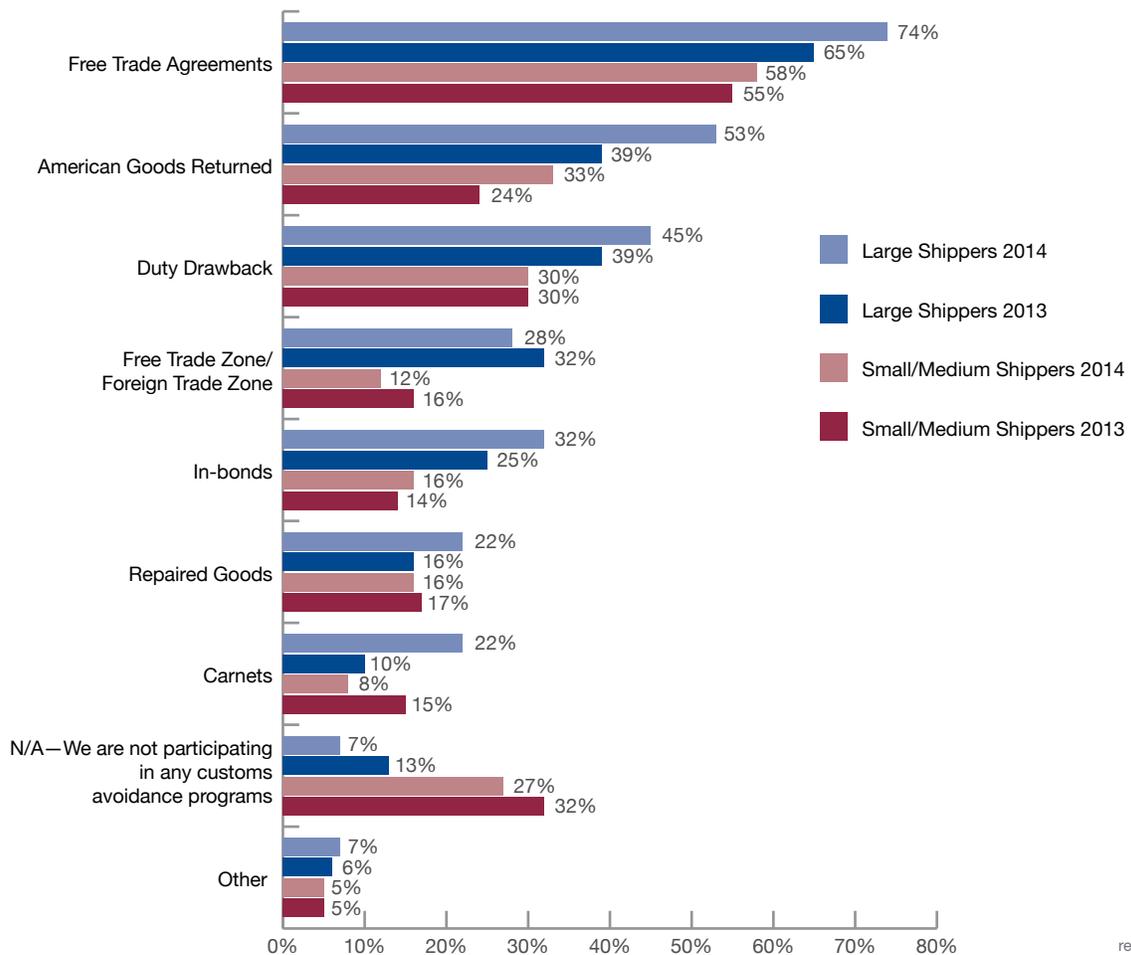
- American goods returned
- Free trade agreements
- In-bond movements

Participation in these types of special trade programs requires a great deal of coordination across many job functions, as well as stringent recordkeeping. Participation in duty avoidance is not for every company due the difficulty involved in administering these programs. The act of qualifying goods under an FTA and administering a corporate preferential trade program requires an understanding of the lower level materials or components, classification of these items, as well as the development of a cost/benefit analysis related to participating in the program.

Engineers, scientists, product managers, and sourcing managers, among others, must all work together to ensure a product is eligible for a duty avoidance program as well as to create the necessary records to support participation in the program. It can be inferred from the increase in participation in duty avoidance programs that this is becoming less of a moving target: It appears that shippers are taking steps to streamline their operations and communicate across functional areas.

Additional good news for participants in duty avoidance programs is this year's reported increase in the rate of customs entry auditing. This is an excellent parallel as duty avoidance programs require extreme care in retaining records supporting qualified participation in these programs, as well as retention of declarations. Missing records and an unreliable means of retaining documentation are a frequent pitfall shippers face when participating in duty avoidance programs.

**Figure 7: Participation in Duty Avoidance Programs**

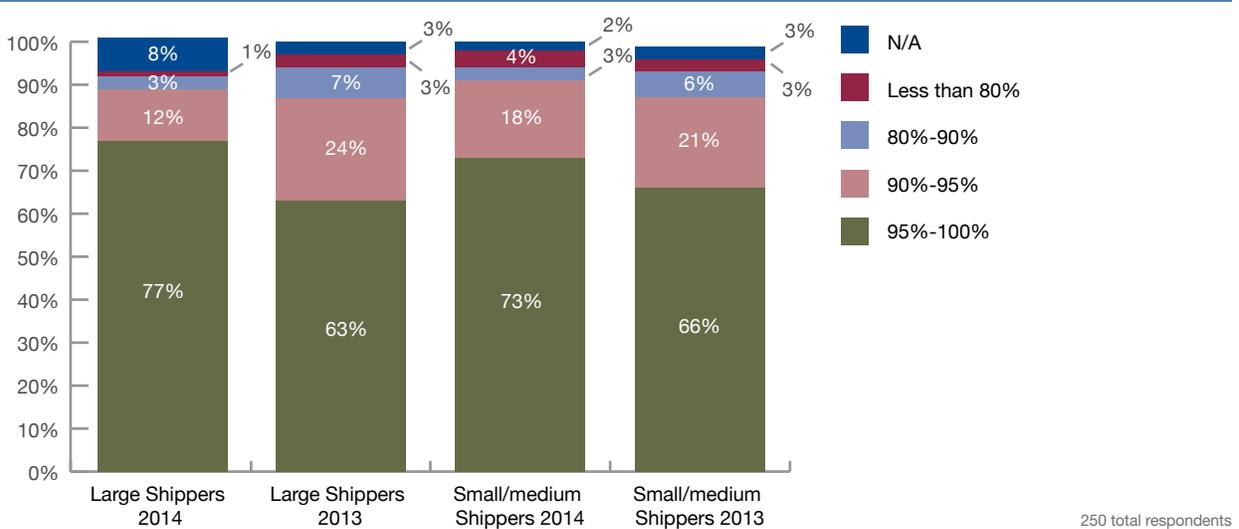




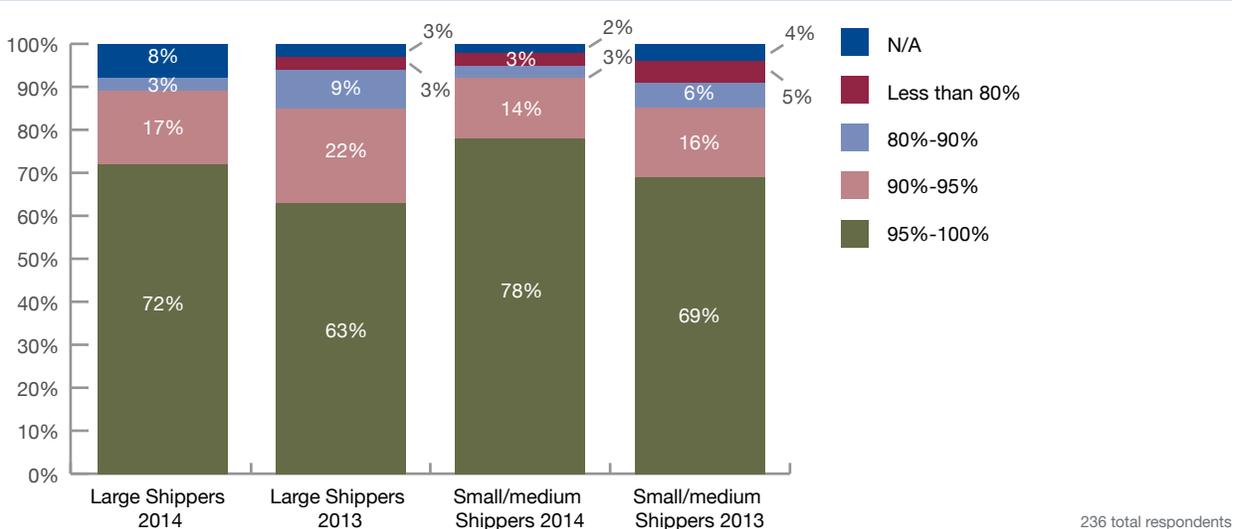
Shippers appear on target in terms of ISF accuracy. In Fig. 8, more than three-quarters of large shipper respondents report 95 percent or better accuracy, while only 1 percent report an accuracy rate of less than 80 percent. Small and medium shippers are performing nearly as well, thanks to an increase from a year ago, with nearly three-quarters of this group reporting accuracy above 95 percent as well.

Fig. 9 demonstrates that both segments of shippers are extremely timely in their ISF submissions, with the majority filing 95 to 100 percent of their declarations on time. What's more, nearly 90 percent of large shippers this year report a rate of 90 percent or better in submission of ISF declaration. Ninety-two percent of small and medium shippers report a timeliness rate of 90 percent or better this year, compared to 85 percent last year.

**Figure 8: ISF Accuracy**



**Figure 9: ISF Timeliness**



Perhaps some of the best news from this year’s benchmarking exercise is found in auditing. Nearly three-quarters of 3PLs and two thirds of shippers are accurate with 95 percent or more of their filings based on audit (a slight increase from 2013 on the shipper side). Of note, all 3PLs this year said they audit their entries—a tremendous development. The rate of shippers saying they don’t perform this audit fell slightly from 2013.

## REPORT FOCUS

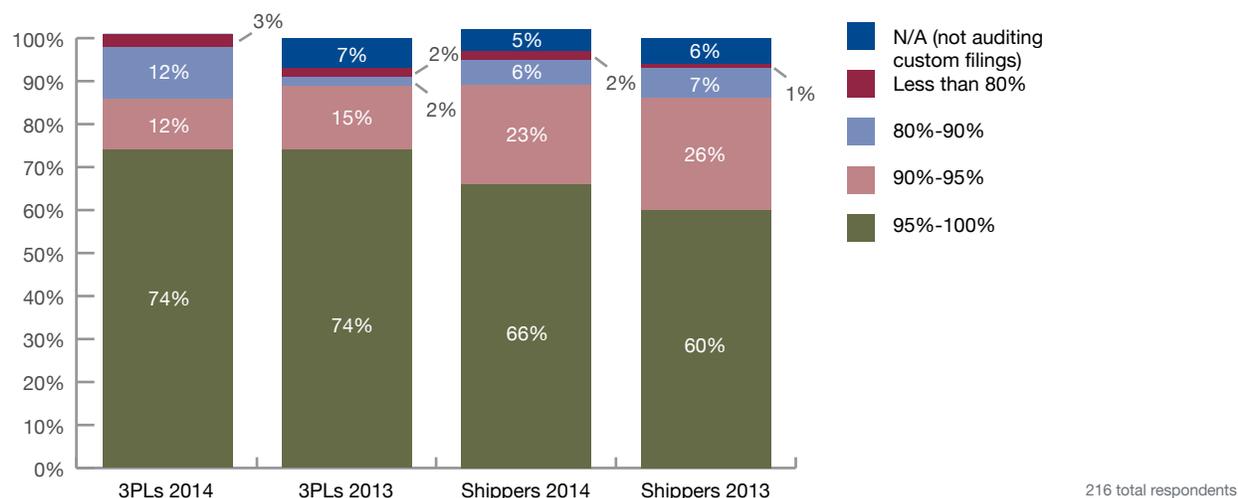
### Focus on Auditing Customs Entries

Auditing is the best gauge of any compliance program. Through auditing one may not only determine metrics in accuracy of customs filings, but also identify the level of effectiveness of a company’s internal trade controls and training. Consider some of the data elements required on a customs entry: HS classification, customs valuation, commercial descriptions, country of origin, etc. These data elements must all come together on a customs entry and this entry must be filed in a timely manner. Obtaining these data elements to forward to a customs broker requires a high level of internal cooperation by any company.

To that end, rather than merely identifying and correcting errors on customs filings, it is necessary for companies to also take this a step further and identify root cause. A review of the corporate level trade compliance policies and how they are operationalized is the first step in determining root cause of errors in customs filings.

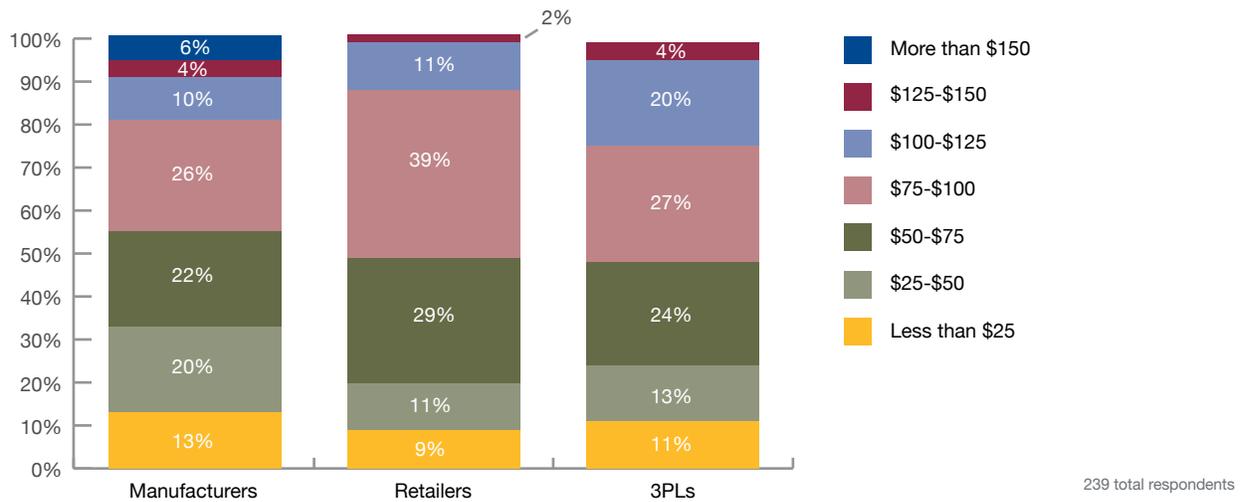
For example, an auditor may find that the classification is incorrect on a customs filing. Rather than just correcting the HS number, the auditor should take a look at the procedure for determining classification and whether corporate policy requires that classification is performed only in-house. Perhaps there was miscommunication between the in-house product team and the classification team? Perhaps there are no controls on customs brokers performing classification determinations on behalf of a company? It is these processes that should be corrected, not just the simple correction of an HS number.

**Figure 10: Accuracy of Customs Filing Based on Audit—3PLs vs Shippers**



In terms of the cost to file an entry, the majority of shipper respondents—across manufacturers, retailers, and 3PLs—fall into the \$50 to \$125 per entry range. Retailers are more likely to be in the \$75 to \$100 range (and indeed, more likely than their peers to be sub-\$100 per entry). What’s notable from Fig. 11, however, is just how diverse the costs per entry are across all categories. There is simply a vast range in terms of how much shippers pay for their entries—a function of their level of automation, the number and type of brokers used, and the markets from which they import.

**Figure 11: Cost per Entry Filing**



## Section IV: Operations

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Last year, this report asked the classic question of respondents: what keeps you up at night as an importer. This year, the question was reprised with some quite different results. For one, worry about transportation rates has eased a bit compared to a year ago. Second, worry about potential port disruption rose markedly (likely due to worries about a labor strike or lockout at U.S. West Coast ports in mid-2014).

*Compared to last year, respondents' worry about transportation rates has eased a bit. However, worry about potential port disruption rose markedly*

Some other interesting results this year:

- Retailer and 3PL respondents this year are three times more likely to be worried about chassis availability as manufacturers
- Manufacturers are twice as likely as retailers to be worried about delays at customs
- 3PLs are roughly three times as likely as manufacturers and retailers to be worried about carrier capacity withdrawals
- None of the three categories seem at all worried about near-shoring



**Figure 12: Top Import Related Concerns**

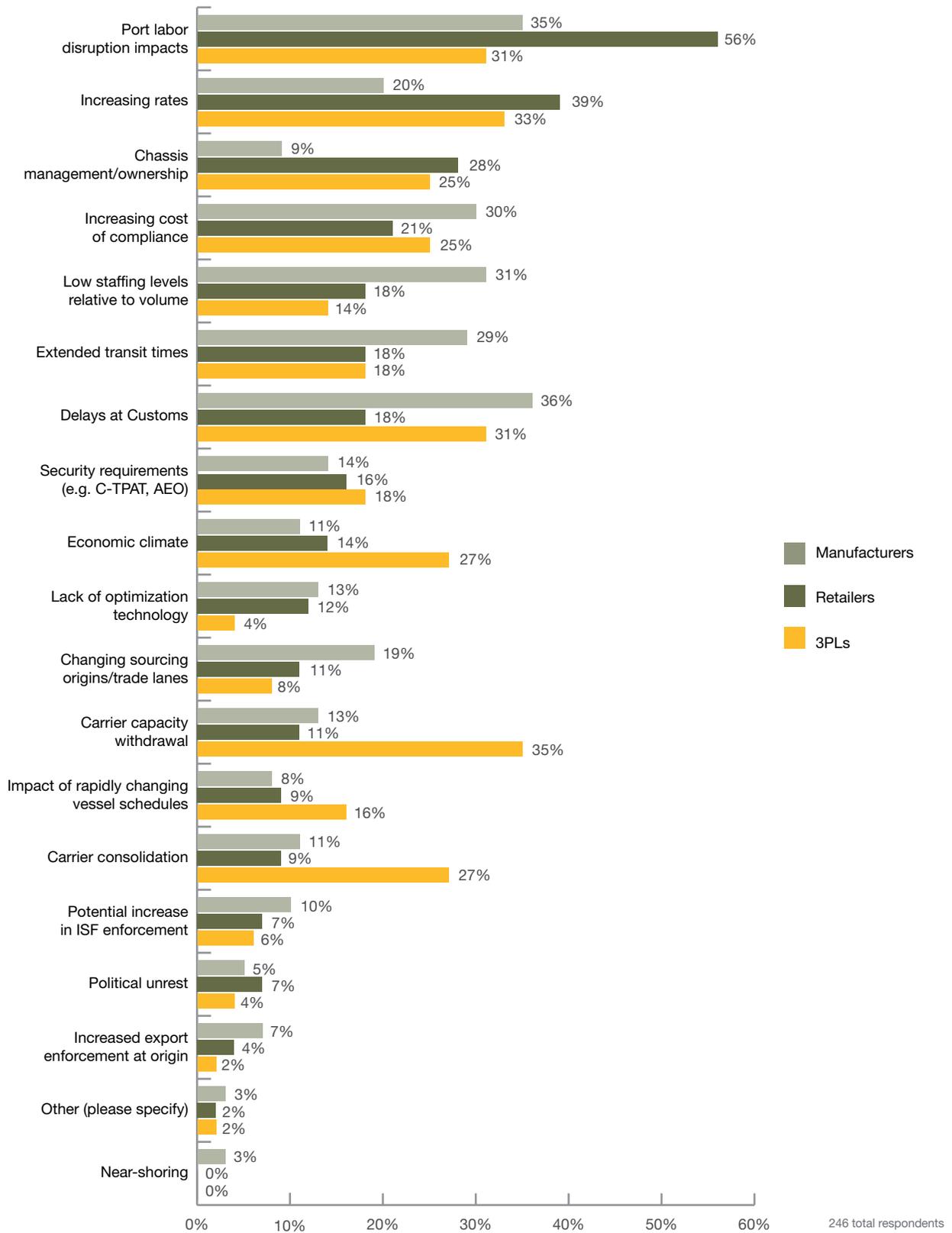


Fig. 13, meanwhile, shows that certain categories of shippers are inherently more efficient at managing imports—that is, the number of employees dedicated to import and number of brokers used relative to the number of entries.

Large shipper respondents, for example, say they handle more than seven times the entries of small and medium shippers, despite having only 12 percent more staff. They also use one broker per 3,100 entries versus one broker per 865 entries for small and medium shippers.

Similarly, manufacturer respondents process nearly six times the number of entries per year as retailers, yet do so with a third less staff than retailers. 3PLs, understandably, maintain high staff counts related to imports since their model is to provide resources that shippers often cannot or don't want to maintain themselves.

Interestingly, systems-based companies process fewer entries per FTE than their manual counterparts (though they process three times as many entries in all). Perhaps that's an anomaly in this year's study, or perhaps it's an indication that companies with systems have an emphasis on technology that doesn't displace employees.

It's often been said that trade and transportation technology doesn't replace headcount, it empowers those workers to do more.

**Figure 13: Importer's Productivity Matrix**

	Regulatory agencies	Countries of Origin	Brokers Used	Entries per Year	FTE for Imports
Large Shippers	3.7	22.5	5.2	16,277	3.7
Small/Medium Shippers	2.4	17.2	2.6	2,250	3.3
Manufacturers	2.7	25.6	3.6	13,371	2.9
Retailers	3.6	13.4	2	2,268	4.3
3PLs	5.1	49.6	8	15,169	27
Systems-based	4.1	31.9	4.2	14,614	11.2
Manual	2.5	20.1	2	4,924	2.7

216 total respondents





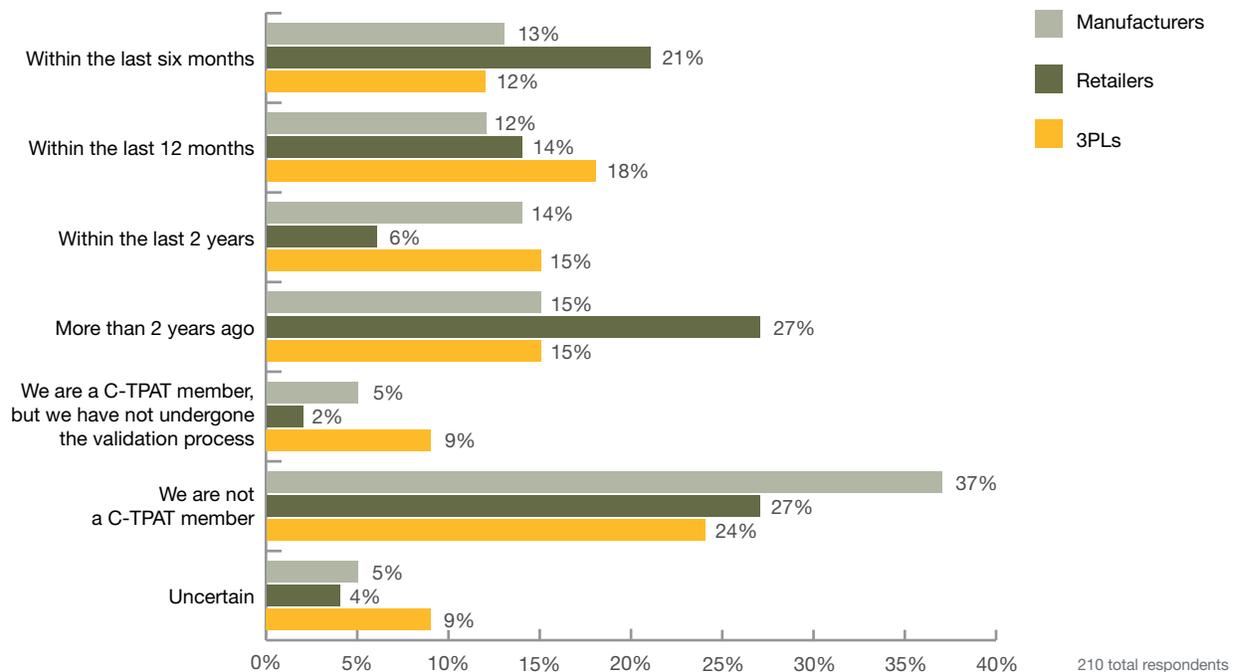
Year after year, data from this benchmark study indicates that there is a one-to-one correlation between a company's internal emphasis on operational efficiency and rigorous compliance, and its determination to join programs like the Customs-Trade Partnership Against Terrorism (C-TPAT). Last year's report explored the level of satisfaction with C-TPAT and found that sixty percent of shippers reported that they were uncertain of the benefits of C-TPAT participation, see less benefit than anticipated, or no benefit at all. Just 11 percent said the program has delivered all that it promised.

This year, respondents were asked to specify the timeframe for their most recent C-TPAT certification. Interestingly, a quarter of retailer respondents said it has been more than two years since their last validation, higher than either manufacturers or 3PLs report. In a positive sign for the integrity of the program, a relatively low percentage across all three groups said they are C-TPAT members but have not had a validation.

But the number that jumps out most from this question is that more than a third of manufacturer respondents and a quarter of retailers and 3PLs are not C-TPAT members. The benefits of C-TPAT continue to be somewhat of a moving target for large parts of the industry, whether members or not.

*There is a one-to-one correlation between a company's internal emphasis on operational efficiency and rigorous compliance, and its determination to join programs like the Customs-Trade Partnership Against Terrorism (C-TPAT)*

**Figure 14: Timing of Last C-TPAT Validation**



## Focus on Missed Compliance Opportunities

It is vitally important to highlight the controls in place between companies and their third party partners. Data from this year's benchmark study shows that there are strong partnerships between manufacturers and retailers and their brokers and suppliers, but while these partnerships are both necessary and valuable, trade-related controls must still be a part of these alliances.

Two numbers, in particular, stand out as missed opportunities in compliance. First, when asked, "Do you share a master data set with product classification?" 18 percent of manufacturers and 22 percent of retailers said they do not. Let's emphasize these findings: nearly one in five manufacturers and one in four retailers do not share product classification with their customs brokers.

If the customs broker is responsible for making the entry on behalf of an importer, how can they possibly assign the appropriate classification if the importer does not share its product classification? Brokers are extremely knowledgeable in classification and certainly know their way around a tariff and its General Rules of Interpretation. But classification is often a strategic advantage companies hold over one another. Perhaps a company has a ruling that assigns classification into a less dutiable heading? Perhaps a specific heading is more aligned with the channels of trade or environment of sale of a particular product? Customs brokers are not expected to be expert in the strategy and corporate objectives of all their clients. Accordingly, classification should be determined by the importer and shared with the broker. In tandem strict controls should be in place to prevent changes in classification by the broker and an escalation path provided if there is no classification available for a specific part number.

The second missed opportunity is related to importers' relationships with their brokers. Eighty-eight percent of manufacturers and 91 percent of retailers do not pay for access to their customs brokers' automated systems. There may be several reasons for this: a) the broker does not have an automated system; b) the broker furnishes copies of all documents and runs regular reports for its customers; or c) a combination of the broker furnishing copies of all documents combined with sophisticated corporate compliance and logistics teams renders the broker's automated system unnecessary. Despite this, access to information about shipments, orders, customs entries, and document images is critical to a thorough auditing strategy.

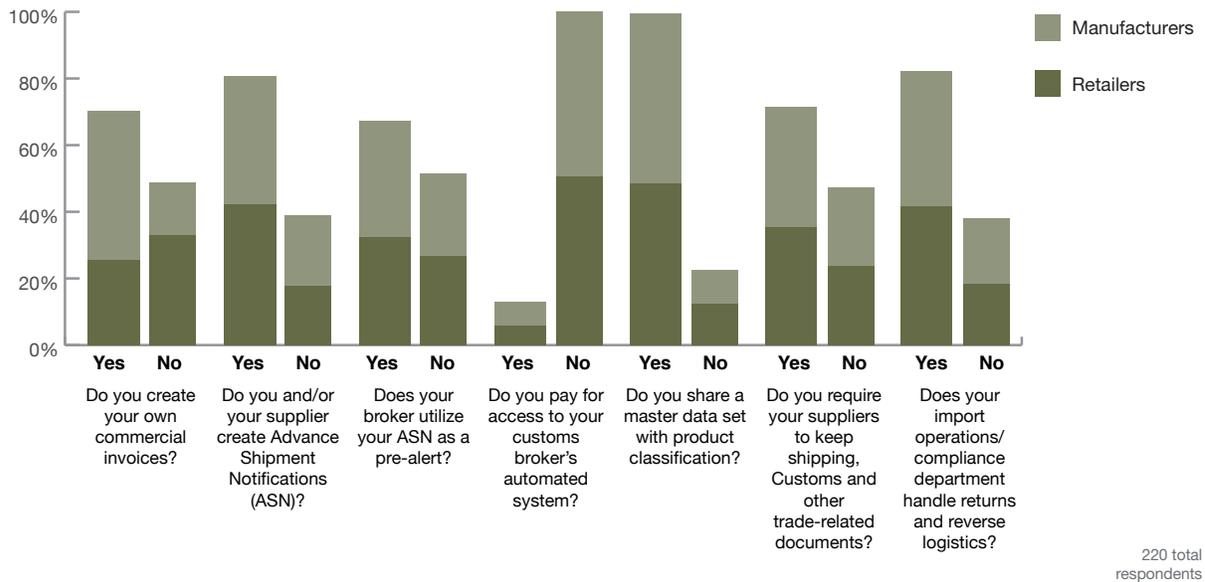
The last missed opportunity in compliance is related to records and documentation: 28 percent of manufacturers and 59 percent of retailers do not create their own commercial invoices. This may be partially due to the fact that these entities are not the importers or exporters of record. However, in the cases that these companies are the importers or exporters of record, the commercial invoice is part of the declaration to the importing authorities. Importing authorities require certain data elements to be contained in the invoice. The commercial invoice is reviewed by authorities as it contains the description, weight, classification, country of origin, value, and other information about the shipment. If a large portion of manufacturers and retailers do not share classification data with their brokers and do not create their customs invoices, they are increasing their risk of exposure to fines, penalties, and delays as the information compiled by a third party and placed on a commercial invoice may be incorrect.



What's more, 42 percent of manufacturers and 43 percent of retailers require that suppliers keep trade-related documents. This is acceptable only if the importer is also retaining trade-related documentation. Customs regulations require that an owner, importer, consignee, importer of record, entry filer, or other person who imports merchandise into the customs territory of the United States, files a drawback claim, or transports or stores merchandise carried or held under bond, shall maintain records and shall render such records for examination and inspection by Customs. In addition, records must generally be retained for a minimum of five years from the date of entry if the record relates to an entry, or a minimum of five years from the date of the activity which required creation of the record. Given the regulatory requirements, it's impossible not to infer that some companies are improperly shifting the burden of record retention to third parties and not meeting the requirements related to record retention.

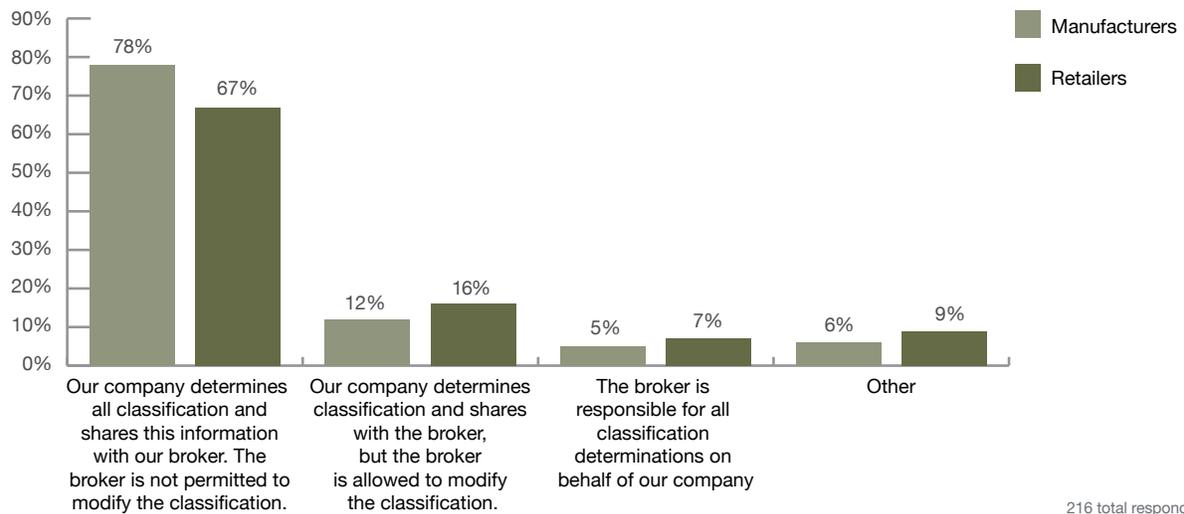


**Figure 15: Relationship with Brokers and Suppliers**



The role of the broker in customs classification is a point we have hammered home since the inception of this study. It is a best practice for a company to assume all responsibility for classification, rather than outsourcing it to a customs broker. Customs brokers are not expected to be experts in their clients' corporate priorities, the functions or features of a product, administrative rulings received by their client, nor are they necessarily aware of such things as the channels of trade or environment of sale. So a customs broker should not be tasked with classification of products. While it is a positive sign that 78 percent of all manufacturers and 67 percent of retailers determine classification and share this with their broker, with controls in place to ensure that the classification is not subsequently modified, a gap still remains. And looking at this from the reverse angle, 22 percent of manufacturers and 33 percent of retailers do not use this best practice.

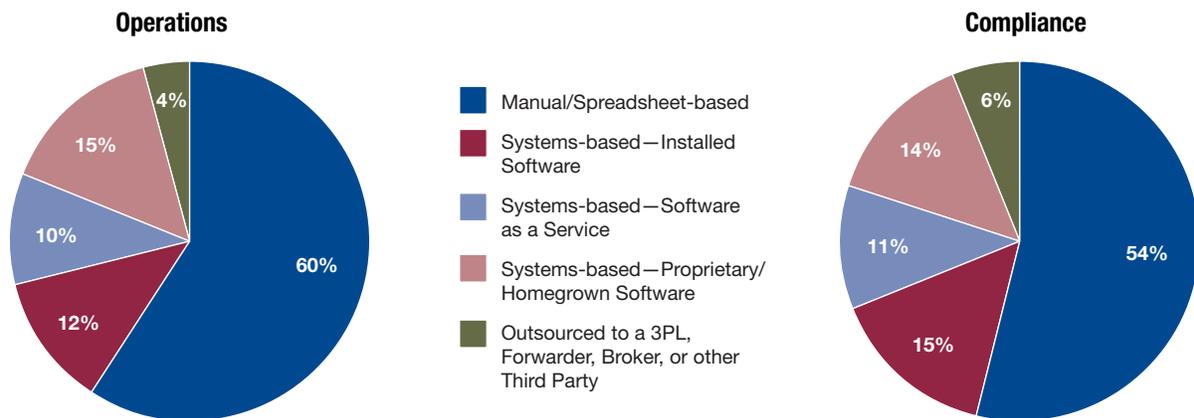
**Figure 16: Broker Role in Customs Classification**



# Section V: Technology

More than half of respondents said their compliance and operations processes are conducted manually. If that sounds high, it's actually an improvement on years past, when closer to two-thirds of respondents said these processes were manual. Nearly all other categories benefitted from the shift this year, with increased use of installed and browser-based software, as well as home grown systems. If this represents a new industry-wide trend, that's wonderful. If this represents the vagaries of this year's respondent pool, it's still positive to see companies gravitating toward systems to manage these processes.

Figure 17: Nature of Import Processes



215 total respondents

One question we've asked across *American Shipper's* benchmark research this year is whether respondents feel they have access to funding to invest in technology. In this case, they were asked if they had access to funds for import management technology. And as in previous benchmarks this year, around three-quarters of respondents said that funding is either unavailable, or they're uncertain about its availability.

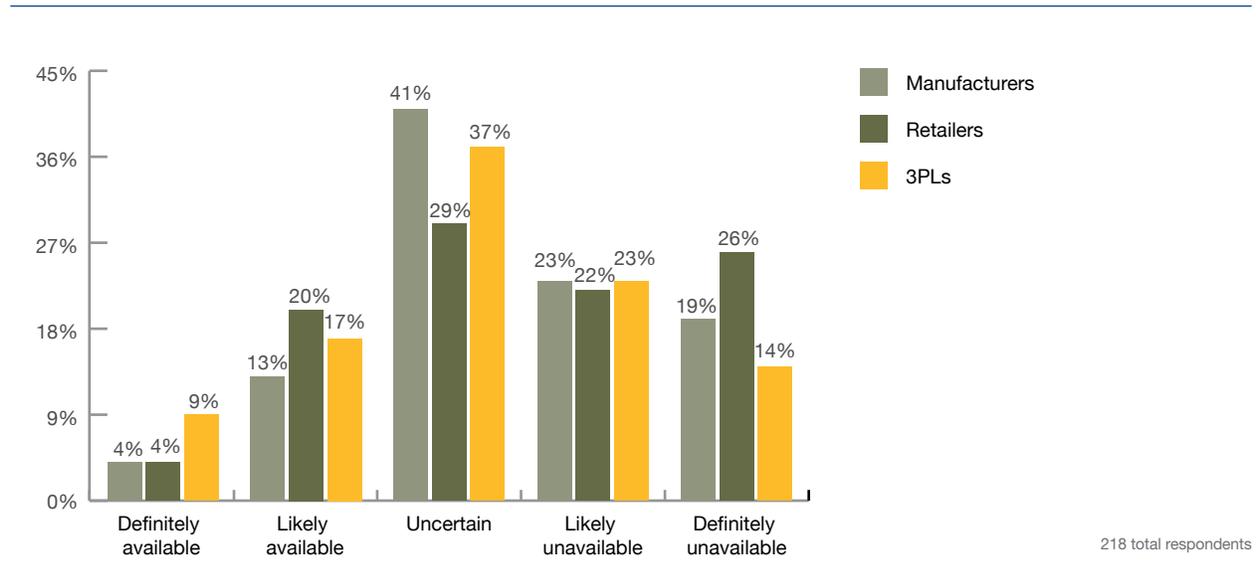
In fact, fewer than 5 percent of shipper respondents said funding was definitely available (slightly more for 3PLs, who tend to be more technologically focused when it comes to investments).

The high percentage of respondents across all categories who said they were uncertain about whether funding is available for technology (two in five manufacturers, for instance) suggests that most import managers have not asked themselves or their company this basic question.

Forget about what technology you'd like to have, a necessary first step is asking whether the funding even exists for those wants. Let's see if that uncertainty drops next year.

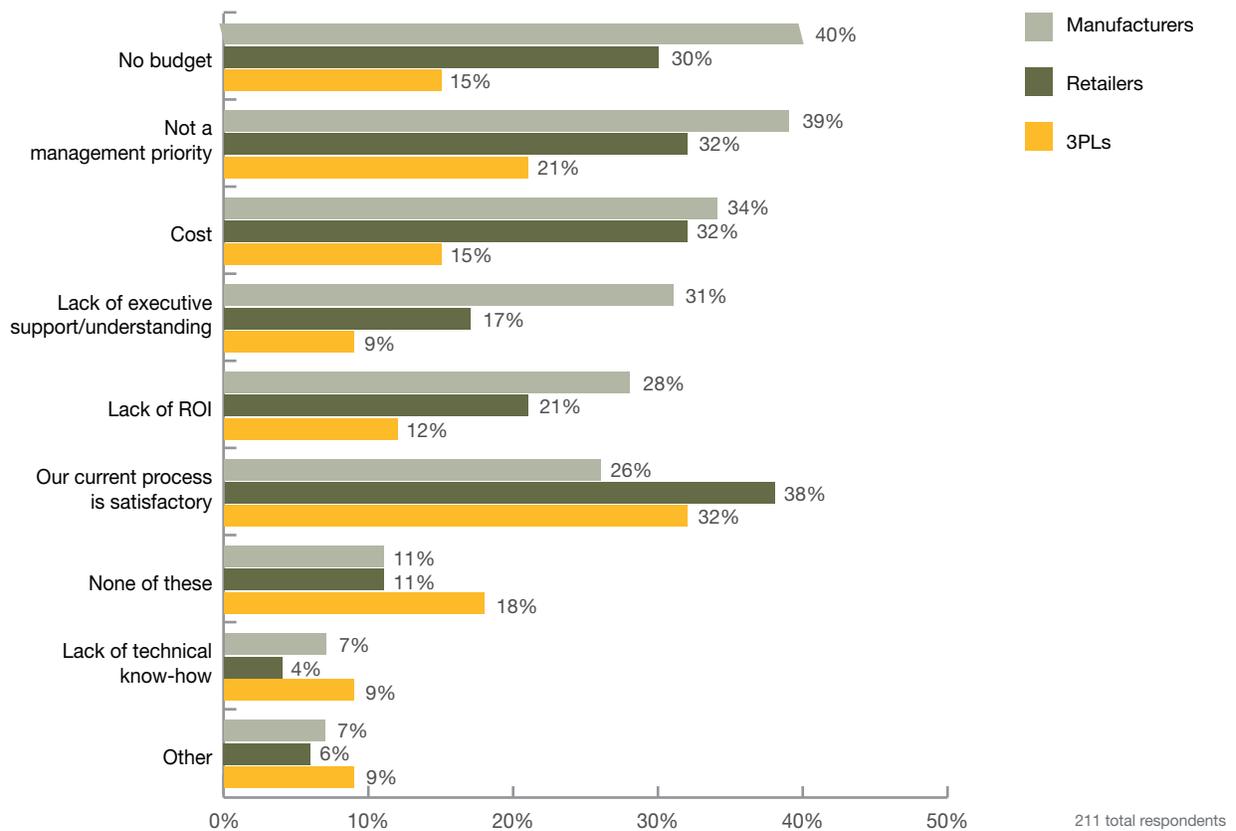


**Figure 18: Is Funding Available for Import Management Technology**



A related question is just why there isn't funding for technology. Fig. 19 shows that two basic groups of reasons prevent shippers and 3PLs from investing—money and corporate buy-in. Across all three groups, a lack of budget, or the cost of a system, or a failure at executive level to prioritize investment were key roadblocks. Retailers and 3PLs also mentioned satisfaction with their current systems as a reason not to invest. But two in five manufacturer respondents, and nearly one in three retailer respondents said there was no budget for such an investment.

**Figure 19: Inhibitors to Buying/Upgrading Import Technology**



Almost paradoxically, however, Fig. 20 shows that shippers see cost reduction as the biggest benefit of investing in systems. The prevailing feeling then, is that the upfront costs of systems is too big a hurdle to cross even if the downstream effect is reduced costs.

*A higher percentage of respondents see the individual benefits of systems than see the barriers to invest.*

But shippers also see value in risk mitigation—surely a key consideration for respondents with compliance responsibilities. If there’s one bit of encouragement to take from these results, it’s that a higher percentage of respondents see the individual benefits of systems than see the barriers to invest.

**Figure 20: Drivers to Buy/Upgrade/Replace Import Technology**

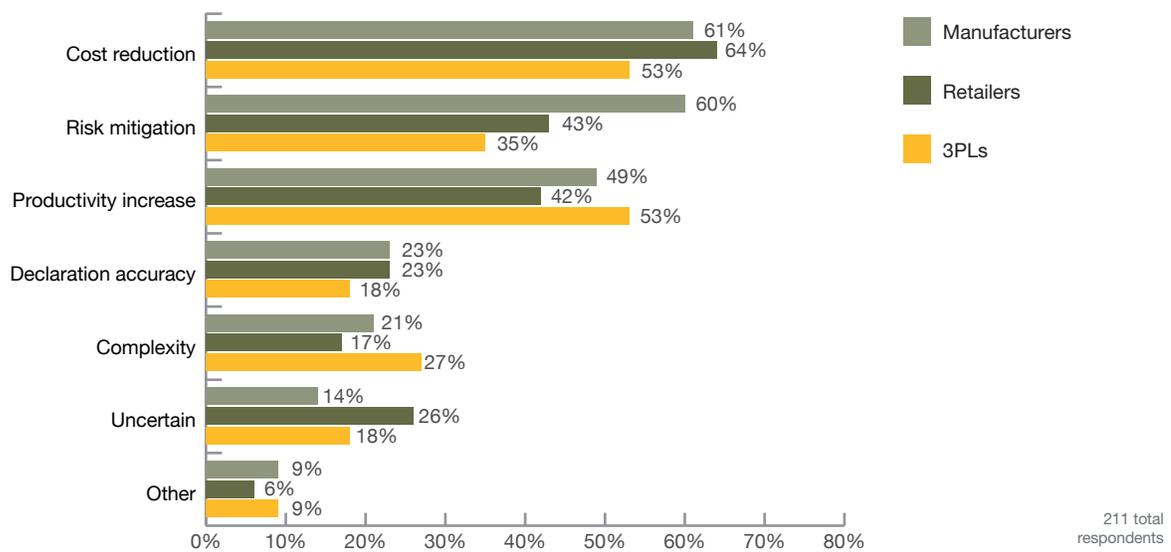
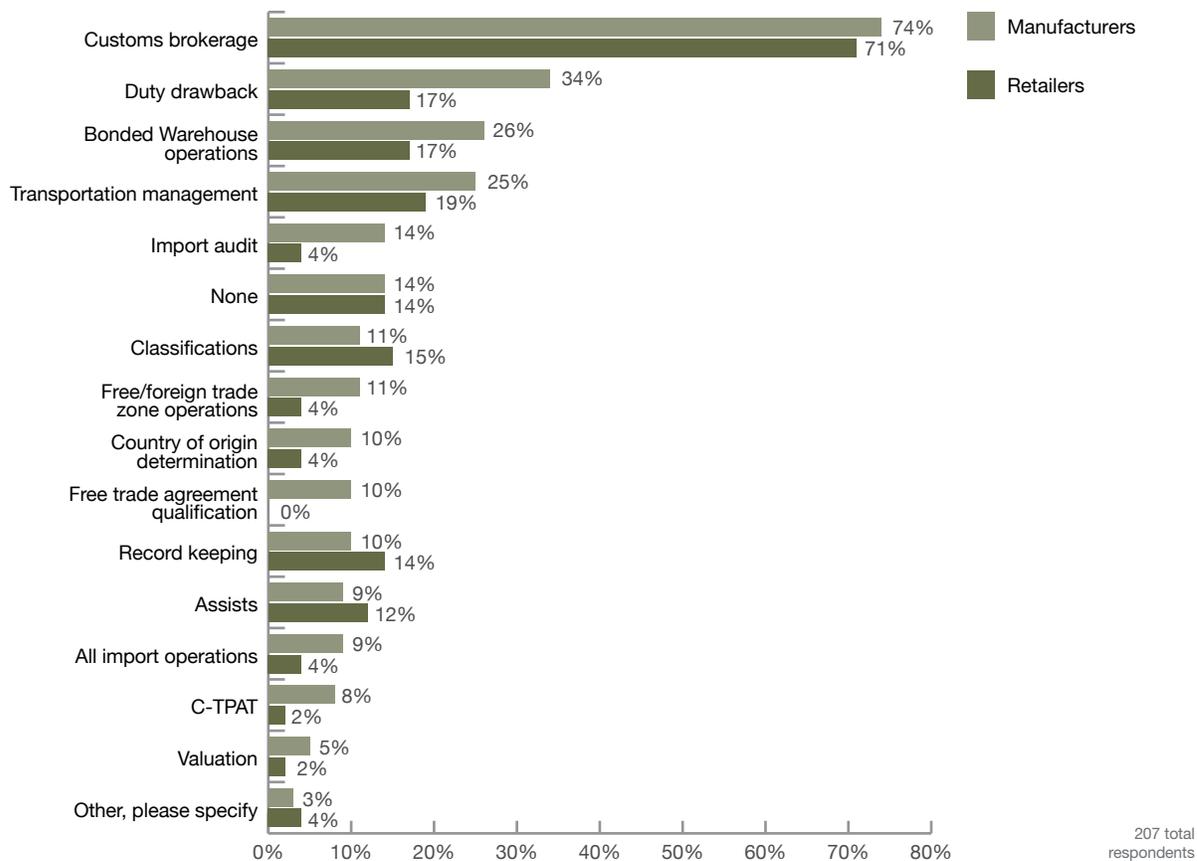


Fig. 21, meanwhile, shows that retailers and manufacturers have differing priorities when it comes to what they're willing to outsource to their service providers. Manufacturer respondents are, nearly across the board, more likely to outsource elements of their compliance process than retailers. Specifically, they are twice as likely to outsource duty drawback, more than three times as likely to outsource import audit, and nearly three times as likely to outsource free trade zone/foreign trade zone operations.

The two categories are nearly equal in terms of outsourcing customs brokerage, with nearly three quarters of all shippers seeing the need to rely on brokers for this important facet of their import operations.

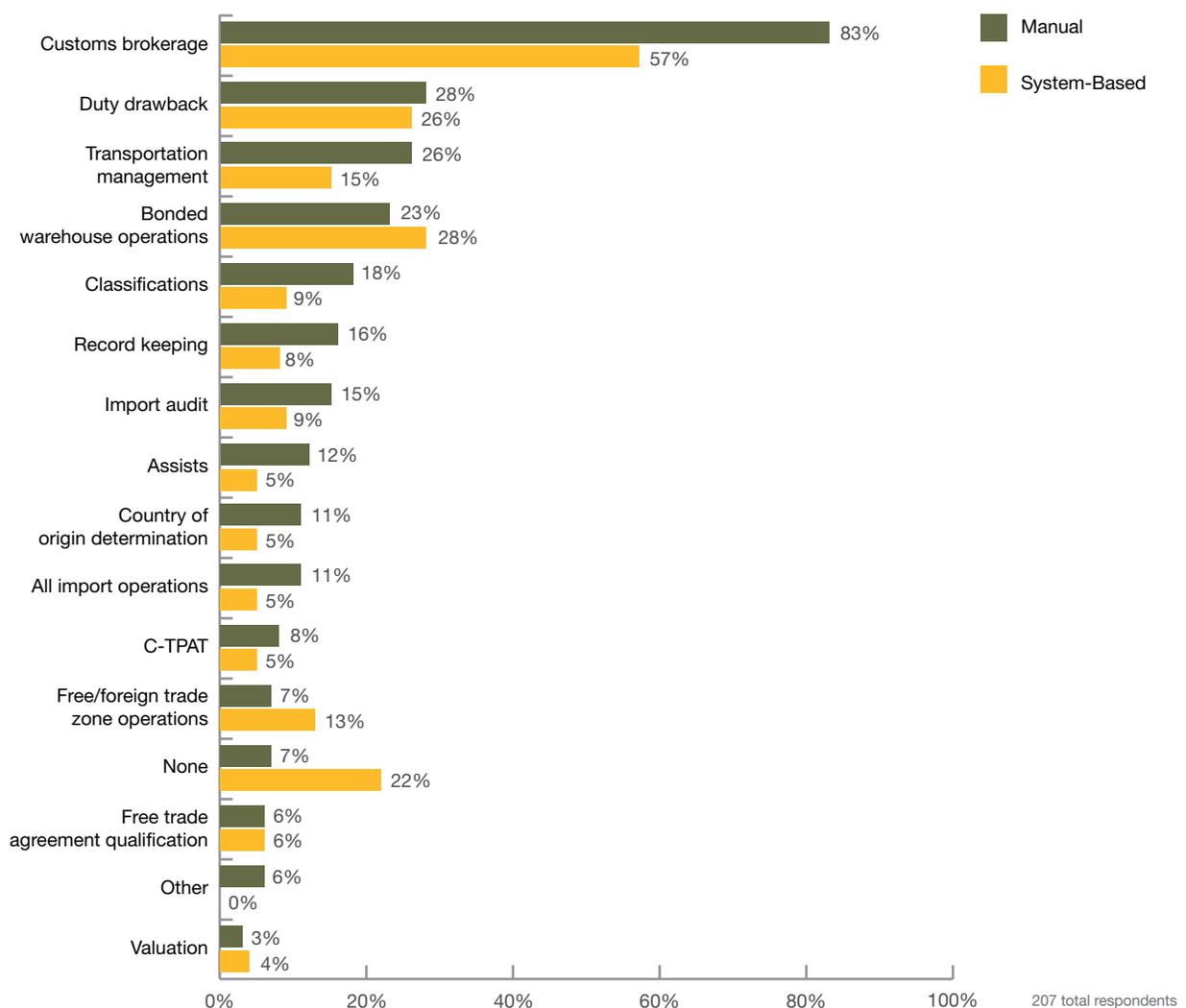
**Figure 21: What Import Functions are Outsourced?**



Looking at the same topic from the point of view of systems-based versus manual companies, systems-based respondents outsource customs brokerage about one-third less than manual companies and far below the rate of the respondent pool in total. Manual companies rely on outsourced functions at roughly twice the rate of systems-based companies when it comes to transportation management, classifications, record keeping, import audit, assists, country of origin determination, and C-TPAT.

In short, manual companies' lack of systems forces their hand when it comes to leaning on outside services. Systems-based companies have a choice—they can use their systems to tackle import functions within their wheelhouse, or outsource certain functions in which they lack personnel or expertise.

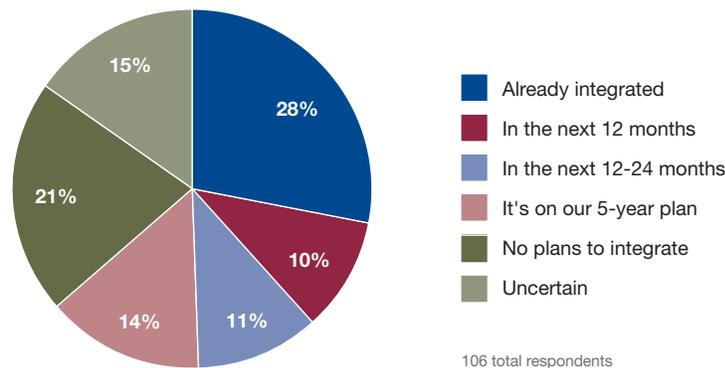
**Figure 22: What Import Functions are Outsourced—Systems-Based vs. Manual**



Last year's Import Benchmark Study focused on the extent to which respondents were viewing operations and compliance as overlapping and mutually dependent. This year's report does not ignore that crucial component to any import supply chain. Fig. 23 shows, however, that only about half of respondents with import systems have already integrated global trade management and global transportation management, or plan to do so in the next two years.

The other half either has it in their five-year plan, has no plans to integrate, or is uncertain. Having a plan to integrate these vital, interconnected functions is critical to making the import process more efficient. The good news is that the number of companies that see the benefit of integrating these functions—either because they already have or plan to do so in the short-term—has increased from last year's report.

**Figure 23: Plans to Integrate Transportation Management, Global Trade Management and Compliance**



## Section VI: Best Practices

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This year's study is chock full of information upon which importers can compare their operations and compliance processes, but we've highlighted a few best practices to help take short-term action to improve:

*More often than not, shippers using spreadsheets to manage their imports have their hand forced when it comes to outsourcing.*

### Compliance

1. Rather than merely identifying and correcting errors on customs filings, it is necessary for companies to also take this a step further and identify root cause. This will help the importer determine whether the error is an anomaly, or whether there is a systemic problem causing the error.
2. Companies should continue to assume all responsibility for classification rather than outsourcing it to a customs broker or allow brokers to change classifications. Classification is best handled internally by the importer of record, and should be seen as a competitive advantage and a tool to avoid compliance penalties.
3. It's impossible not to infer that some companies are improperly shifting the burden of record retention to third parties and not meeting the regulatory requirements related to this activity. Importers must bear the responsibility for recordkeeping and retention.

### Operations

4. Moving to a systems-based approach for managing imports allows a shipper to maintain the power of choosing whether to outsource a specific function in its import supply chain. More often than not, shippers using spreadsheets to manage their imports have their hand forced when it comes to outsourcing.
5. Determine whether funding for import technology is available before you get stars in your eyes dreaming about all the functions that can be automated. A rather large percentage of shippers and 3PLs are uncertain whether this funding is available.



# Appendix A: About Our Sponsors



## **Amber Road**

Amber Road's (NYSE: AMBR) mission is to dramatically change the way companies conduct global trade. As a leading provider of cloud based global trade management (GTM) solutions, we automate import and export processes to enable goods to flow across international borders in the most efficient, compliant and profitable way.

Our solution combines enterprise-class software, trade content sourced from government agencies and transportation providers in 139 countries, and a global supply chain network connecting our customers with their trading partners, including suppliers, freight forwarders, customs brokers and transportation carriers.

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 Partners



### AAEI

AAEI advocates on behalf of U.S. companies on trade policy issues before the U.S. Congress, trade compliance practices and operations before Executive Agencies, and multi-lateral organizations including the World Trade Organization and the World Customs Organization.

AAEI plays an important role in providing education to international trade compliance professionals through its ten (10) standing committees which review proposed trade policy and regulations for comment, off-the-record webinars with government officials, and the Association's annual conference, seminars and trade briefings.

AAEI assists international trade compliance professionals do their job by providing information concerning government regulations through its international trade ALERT hosted on the Thomson Reuters' Checkpoint platform and annual Benchmarking Survey compiling the data on import, export, security and product safety issues.



### 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 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 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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