American Shipper

Overcoming the Strong Dollar Through Global Opportunities

Export Benchmark Report 2015

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

Executive Summary

Welcome to the sixth annual benchmark study covering U.S. export operations and compliance, produced by *American Shipper* in partnership with BPE Global. Exporters have been buffeted by a number of headwinds in the past year, from the constantly changing regulatory environment to congestion issues at U.S. West Coast ports to sanctions against numerous countries. And against that challenging backdrop is the strength of the U.S. dollar, which has changed the economic reality for U.S. exporters' in the global marketplace.

The U.S. government is continuing its push to increase exports with unprecedented levels of business support, but that effort is being offset by a host of dynamics—some outside of the government's control (like currency exchange rates) and some squarely within its purview (like a streamlined regulatory environment or focus on freight transportation infrastructure). Simply put, the demands on export teams continue to grow, especially as logistics, trade compliance, and supply chain as a whole gains more attention at the executive level.

The theme of this year's study centers on how exporters ought to be looking for opportunities amid all the challenges—the idea that companies that sense opportunities in a complex regulatory and operational environment will stand out from their peers. Those that get bogged down by regulatory scrutiny, by sanctions, by port congestion, and by a lack of focus on process efficiency, will be left behind.

The study includes input from 196 U.S.-based exporters and LSPs, with responses gathered between mid-July and late August, 2015. The 29-question survey covered export regulatory reform, operations management practices, organizational structure, compliance policies and strategic considerations, and export management technology.

Exporters' Perspective

American Shipper and BPE Global benchmarking exercises not only measure year-over-year comparisons of key strategies, trends, and technology usage, they also provide a platform to explore of-the-moment trends. And that has been especially useful this year, as exporters grapple with a few interesting dynamics.

Export Control Reform (ECR) was intended to reduce the need for State Department licenses, and in some cases, BIS licenses as well. Based on respondents to this study, it appears that large shippers reduced their need for State Department licenses by a solid 25 percent, but then in return also needed to obtain BIS licenses as a result. This 9 percent difference in the reduction for licenses overall shows ECR is having some positive effect.

The Trans-Pacific Partnership (TPP), a sweeping 12-nation trade agreement, is still under negotiation, but 21 percent of large shippers and 13 percent of small/medium shippers indicated they plan to expand their markets into TPP countries. This shows that some respondents are already preparing for expansion into new market opportunities. It will be interesting to see how those numbers change—especially those respondents who are uncertain at present—if it passes.

Trade statistics indicate U.S. exports to Russia are down this year, but not significantly. Those numbers jive with the findings of this study when it comes to small and medium-sized shipper respondents, while larger shippers, who were more likely to be trading partners with Russia before the sanctions, do seem to be impacted moderately, and some significantly, by sanctions imposed on that market.

Profile of an Exporter

Economists have long been saying that the strong U.S. dollar may be hampering exports and encouraging imports. Combined with the general relative strength of the U.S. economy compared to other nations, it is not necessarily an environment conducive to U.S. exporters. Additionally, it is anticipated that the slowdown in China will continue to be a drag on U.S. exports, both to China itself and to its suppliers, such as Japan, Malaysia, South Korea, and Taiwan. In spite of that, though, roughly three-quarters of large exporters and more than 85 percent of small/medium exporters say their volume is up this year.

There was a jump this year in the number of respondents that said they are now responsible for exports globally. This added worldwide responsibility will require export managers to increase their knowledge of multiple country and territory regulations. This is a chance for export managers to widen the scope of their compliance knowledge but also gives them the opportunity to streamline and consolidate export operations and compliance processes.

Export Structure and Policy Trends

The majority of exporters still report into transportation, logistics and operations. This indicates that export compliance is still generally seen as transactional and not a strategic part of the business. As enforcement activities increase, export compliance as a risk area is gaining visibility by in-house counsel. Where the export compliance function does not report into legal, more companies are employing dotted line structures, where legal and export compliance are engaging regularly.

Export compliance is now being included in strategic new market discussions, a positive trend that signals export practitioners are increasingly being given a seat at the table in these crucial decisions. The inclusion of export compliance specialists in new market discussions early and often is a key determiner of market entry success.

On the other hand, only one in three respondents believes that export compliance plays an important role in new business opportunities. Perhaps the challenge is that they have not yet themselves attempted to quantify why export compliance is an important topic when it comes to developing new business opportunities.

Although exporters that rely on carriers and freight forwarders to file their EEIs take a risk of losing a bit of control over accuracy and timeliness of the filings, it turns out most shippers do so anyway. Small/medium shippers are more likely to file their own EEIs using internal staff relative to large shippers.

The vast majority of both large and small/medium exporters review the EEIs filed either internally or by their carriers. Like last year, this demonstrates that a strong compliance program is in place for these exporters. CBP has started to enforce penalties on incorrect and late EEI filings, so it behooves exporters to ensure their declarations are filed correctly and promptly.

Export Technology Usage

Over the past five years of this benchmarking exercise, there has been a steady increase in the number of respondents who are using GTM-specific technology to manage their exports. That increase has come as the number of respondents using a hybrid, kitchen-sink approach has decreased—from 43 percent in 2012 to barely more than a quarter this year. Meanwhile the number of companies handling things in a manual fashion (remember, that's essentially relying on spreadsheets and email, not chisels and tablets) has held steady.

This is good news overall. Just shy of 45 percent of respondents indicate they have a single export management platform that's not Excel, compared to 33 percent just two years ago. Those who said they haven't invested in export management technology cite two primary reasons—lack of funding and internal resources, and a lack of visibility into the return on investment from such technology.

There is some cause for optimism in terms of whether exporters have funds available to invest in technology. The percentage of respondents indicating that funding is available rose 42 percent from last year, though still only about a third of the market has access to such funding.

But investment is hard to come by when the broader organization doesn't understand the importance of global trade management technology. Without executive level understanding of how technology can impact export operations and compliance processes, it's hard to for export professionals to secure the necessary funding to invest in technology. But without investing in technology, it's harder for export professionals to delineate the areas where that technology can make things better.

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Section I: Introduction

Welcome to the sixth annual benchmark study covering U.S. export operations and compliance, produced by *American Shipper* in partnership with BPE Global. Exporters have been buffeted by a number of headwinds in the past year, from the constantly changing regulatory environment to congestion issues at U.S. West Coast ports to sanctions against numerous countries. And against that challenging backdrop is the strength of the U.S. dollar, which has changed the economic reality for U.S. exporters' in the global marketplace.

The U.S. government is continuing its push to increase exports with unprecedented levels of business support, but that effort is being offset by a host of dynamics—some outside of the government's control (like currency exchange rates) and some squarely within its purview (like a streamlined regulatory environment or focus on freight transportation infrastructure). Simply put, the demands on export teams continue to grow, especially as logistics, trade compliance, and supply chain as a whole gains more attention at the executive level.

The theme of this year's study centers on how exporters ought to be looking for opportunities amid all the challenges—the idea that companies that sense opportunities in a complex regulatory and operational environment will stand out from their peers. Those that get bogged down by regulatory scrutiny, by sanctions, by port congestion, and by a lack of focus on process efficiency, will be left behind.

The study includes input from 196 U.S.-based exporters and LSPs, with responses gathered between mid-July and late August, 2015. The 29-question survey covered export regulatory reform, operations management practices, organizational structure, compliance policies and strategic considerations, and export management technology. Survey distribution channels included *American Shipper*'s subscriber database, and BPE Global's e-mail database. Qualified respondents are limited to those companies exporting goods, services or technology (so-called "deemed" exports) from the United States. This includes freight forwarders, third-party logistics providers, non-vessel-operating common carriers, and other intermediaries, in addition to shippers from all segments. Carriers and other non-qualified responses are not included in the aggregate data sourced for this report.

This report makes frequent comparisons between large shippers and their small and medium-sized counterparts. To see a breakup of the respondent pool for this study, please see Appendix A. This study also makes frequent mention of a number of governmental agencies—for a list of those acronyms and full agency names, please see Appendix B.

The theme of this year's study centers on how exporters ought to be looking for opportunities amid all the challenges—the idea that companies that sense opportunities in a complex regulatory and operational environment will stand out from their peers.

Section II: Exporters' Perspective

American Shipper and BPE Global benchmarking exercises not only measure year-over-year comparisons of key strategies, trends, and technology usage, they also provide a platform to explore of-the-moment trends. And that has been especially useful this year, as exporters grapple with a few interesting dynamics. In this section, we'll explore exporter respondents' perspective on a number of key current issues as well as some recurrent ones tracked before in this study.

First and foremost is export control reform, a recurring theme over the history of this study. U.S. Export Control Reform (ECR) was created to overhaul the nation's antiquated export control system. One of the initiatives was to move less sensitive items, mostly parts and components, from the U.S. State Department munitions list to the U.S. Commerce Control list.

This, in theory, would allow exporters to ship these items more easily under Commerce, rather than the more complex licensing authorizations of the State Department. Fig. 1 shows that about half of respondents were not impacted at all by this decision because they have only EAR products regulated by the Commerce Department. Large and small/medium shippers that have State Department items reported a modest 5 to 9 percent increase, respectively, in their ability to ship to new markets and customers.

The intent of ECR was to reduce the need for State Department licenses, and in some cases, BIS licenses as well. Based on respondents to this study, it appears that large shippers reduced their need for State Department licenses by a solid 25 percent, but then in return also needed to obtain BIS licenses as a result. This 9 percent difference in the reduction for licenses overall shows ECR is having some positive effect. Small/medium shippers have seen less of a benefit, with only a 3 percent reduction in licenses between the two agencies. Even though these gains seem small, exporters are able to reduce the resources required to maintain complex State Department licenses and agreements. It's a start.

Figure 1: Impact of Export Control Reform

Legend:
- Large shippers
- Small & medium shippers

Categories and values:
- We only have EAR products: Large shippers 48%, Small & medium shippers 48%
- No impact: Large shippers 26%, Small & medium shippers 30%
- Reduces our need for State Department export licenses: Large shippers 25%, Small & medium shippers 14%
- Increases our need for BIS export licenses: Large shippers 16%, Small & medium shippers 11%
- Allows us to ship to new markets and customers: Large shippers 5%, Small & medium shippers 9%

157 total respondents

Another topic that has hit the headlines in recent months is the Trans-Pacific Partnership (TPP), a proposed trade agreement among 12 countries, mostly along the Pacific Rim, and including the United States. The TPP seeks to lower trade barriers such as tariffs, establish a common framework for intellectual property, enforce standards for labor law and environmental law, and establish an investor-state dispute settlement mechanism.

Even though the TPP is still under negotiation, 21 percent of large shippers and 13 percent of small/medium shippers plan to expand their markets into TPP countries. This shows that some respondents are already preparing for expansion into new market opportunities. It will be interesting to see how those numbers change—especially those respondents who are uncertain at present—if it passes.

Figure 2: Do You Plan to Enter or Increase Presence in TPP Markets?

Large shippers

- Yes
- No
- Uncertain

21%
39%
39%

Small & medium shippers

13%
43%
45%

159 total respondents
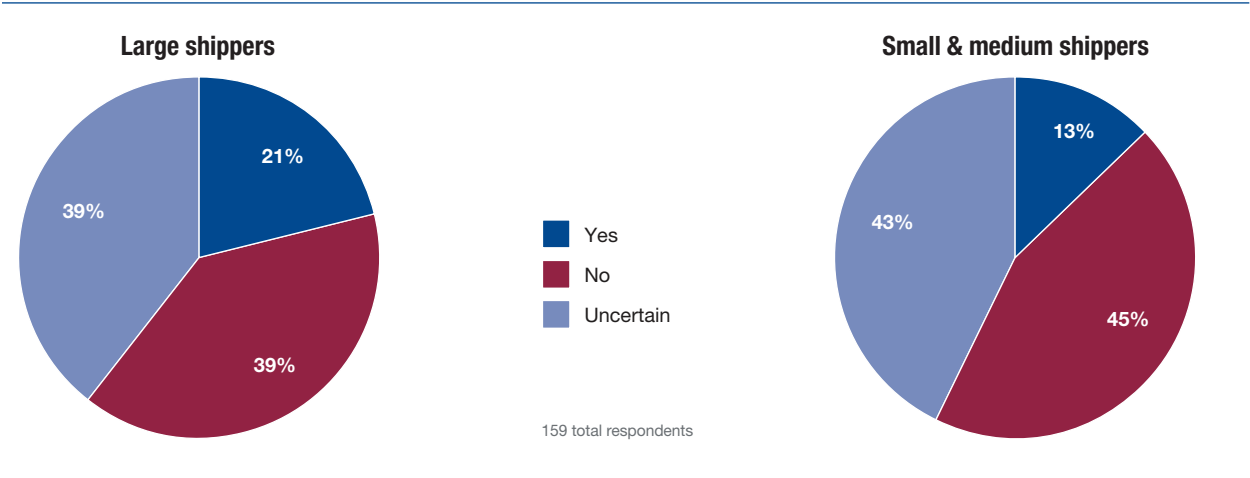
Analysts have had a difficult time quantifying the impact of the sanctions to U.S. trade with Russia. Unlike Europe, the United States has never had a significant trade relationship with Russia. Trade statistics indicate U.S. exports to Russia are down, but not significantly. Those numbers jive with the findings of this study when it comes to small and medium-sized shipper respondents, while larger shippers, who were more likely to be trading partners with Russia before the sanctions, do seem to be impacted moderately, and some significantly.

This study has long sought to capture shipper sentiment about the effectiveness of U.S. export licensing agencies. It's a critical issue, particularly as the current administration has pushed an export-centric agenda in recent years.

Figure 3: Impact of Trade Sanctions on Exports to Russia

- Large shippers
- Small & medium shippers

	Significant	Moderate	No impact	We don't export to Russia	Uncertain
Large shippers	10%	31%	26%	20%	13%
Small & medium shippers	2%	14%	39%	43%	2%

158 total respondents

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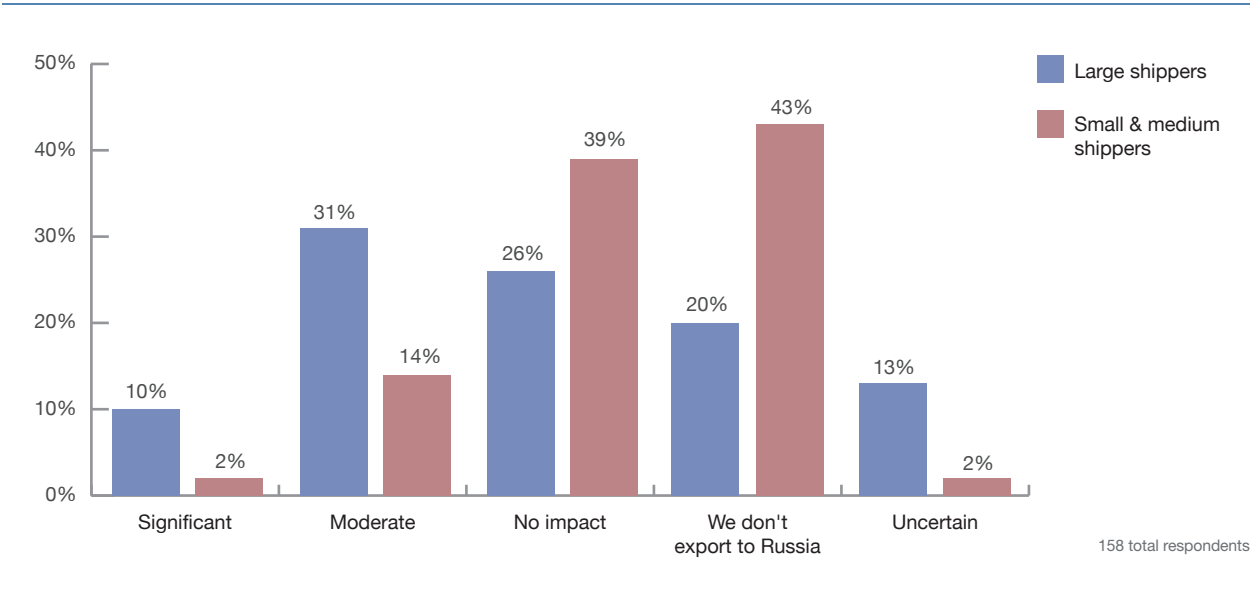
Both BIS and DDTC licensing processing saw significant improvements this year, as Fig. 4 shows, with more exporters classifying them as "good" and fewer calling them "fair." However, both agencies concurrently lost ground in the "very good" category. The trend seems to be positive momentum in the right direction, which is consistent with anecdotal feedback received from the industry. In general, agencies are more promptly approving or denying license applications. However, industry is hopeful that they can become competitive with the processing times of other export control regimes such as Hong Kong, the European Union, and Canada.

In 2014, BIS processed a 30.5 percent increase in licenses, from 24,108 in 2013 to 31,458, according to statistics from the agency. BIS processed these licenses in 23 days on average in 2014, compared to 25 days the year prior. BIS approved 25,935 license applications, returned 5,202 applications without action, and denied 177 applications (less than one percent).

Figure 4: **Effectiveness of Licensing Agencies**

155 total respondents

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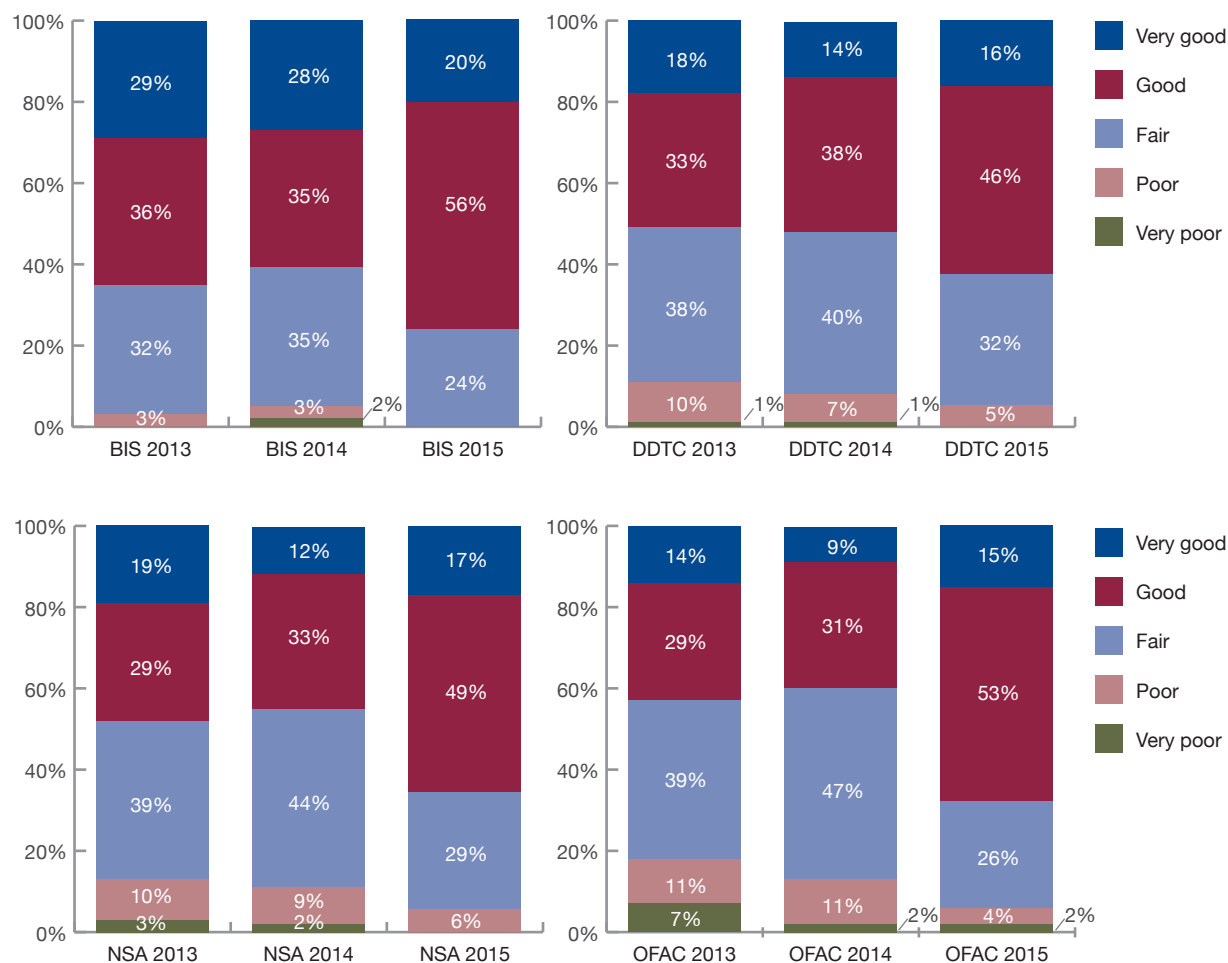
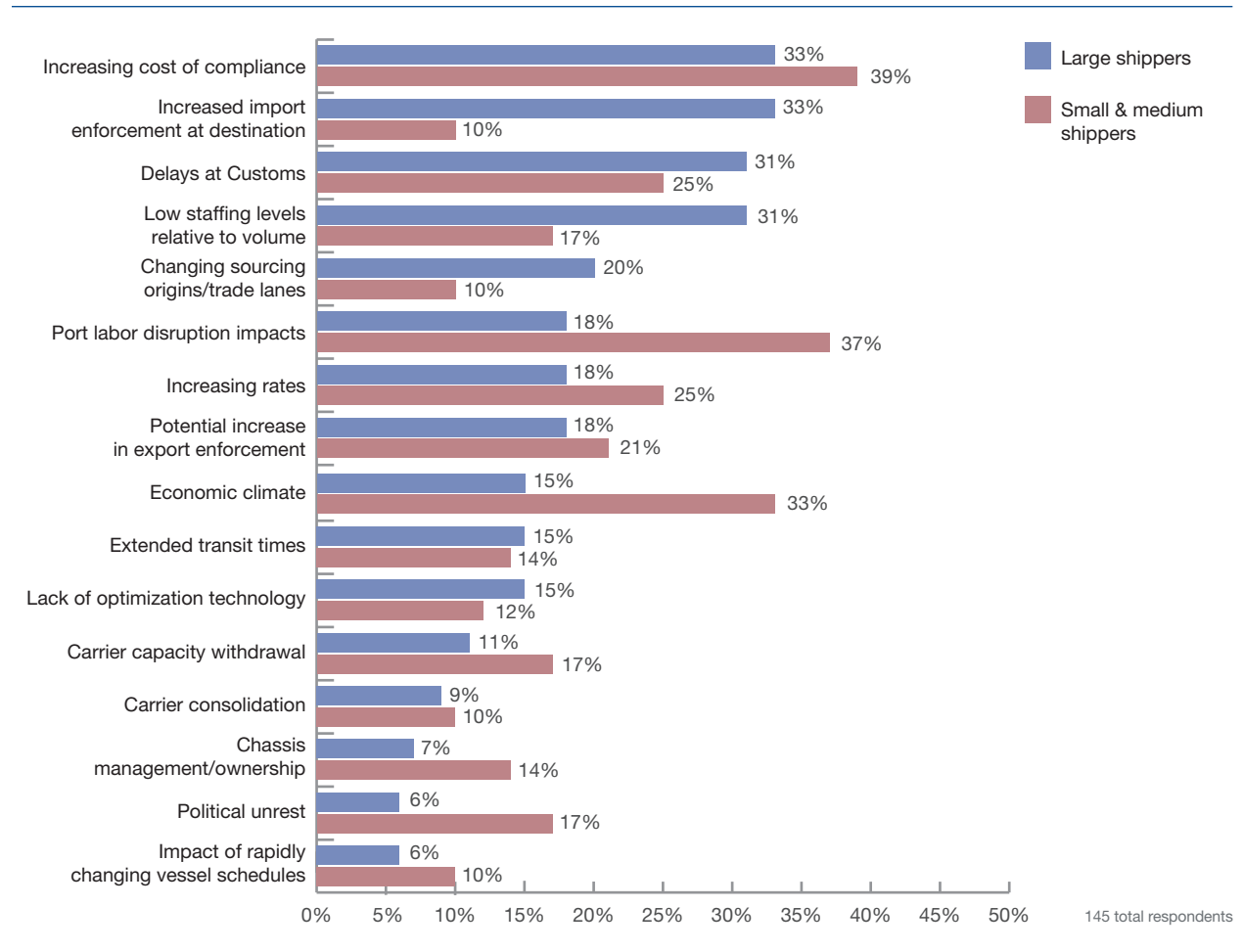As with last year, shippers' primary export concern is the rising cost of compliance. Delays at customs and increased enforcement at both export origin and import destination still rank highly as worries for large shippers. While lack of optimization technology ranked high last year as a concern, this year the changing of sourcing origins/trade lanes has risen and is becoming a more pressing issue.

Large shippers are still burdened by what they consider to be low staffing levels relative to volumes. Interestingly, small/medium shippers are much more concerned with the economic climate, carrier capacity withdrawal, and increasing rates (presumably rates from carriers that can't be passed on to their customers) than the large shippers. Perhaps these worries are related. Smaller exporters manage with less staff and are thus more concerned about tactical issues like capacity and rates.

Figure 5: Top Export Concerns

Large shippers
Small & medium shippers

Concern	Large shippers	Small & medium shippers
Increasing cost of compliance	33%	39%
Increased import enforcement at destination	33%	10%
Delays at Customs	31%	25%
Low staffing levels relative to volume	31%	17%
Changing sourcing origins/trade lanes	20%	10%
Port labor disruption impacts	18%	37%
Increasing rates	18%	25%
Potential increase in export enforcement	18%	21%
Economic climate	15%	33%
Extended transit times	15%	14%
Lack of optimization technology	15%	12%
Carrier capacity withdrawal	11%	17%
Carrier consolidation	9%	10%
Chassis management/ownership	7%	14%
Political unrest	6%	17%
Impact of rapidly changing vessel schedules	6%	10%

145 total respondents

Section II: Exporters' Perspective

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Section III: Profile of an Exporter

This section attempts to paint a picture of exporters in terms of size, geographic responsibility and productivity. It all starts with volume, of course. And as the economy turns around, export volume growth appears to also be trending up. Interestingly, a significant percentage of small/medium shippers particularly are seeing some positive changes, indicating that export markets are key to company growth. That's somewhat conflicting with the fact that a similar percentage of both large and small/medium shippers report declines in export volume. But this may be a representation of the typical respondent to this study, shippers that are fairly entrenched in the export market. In any case, roughly three-quarters of large exporters and more than 85 percent of small/medium exporters say their volume is up.

Economists have long been saying that the strong U.S. dollar may be hampering exports and encouraging imports. Combined with the general relative strength of the U.S. economy compared to other nations, it is not necessarily an environment conducive to U.S. exporters. Additionally, it is anticipated that the slowdown in China will continue to be a drag on U.S. exports, both to China itself and to its suppliers, such as Japan, Malaysia, South Korea, and Taiwan.

Figure 6: Export Volume Growth in Last Year

157 total respondents
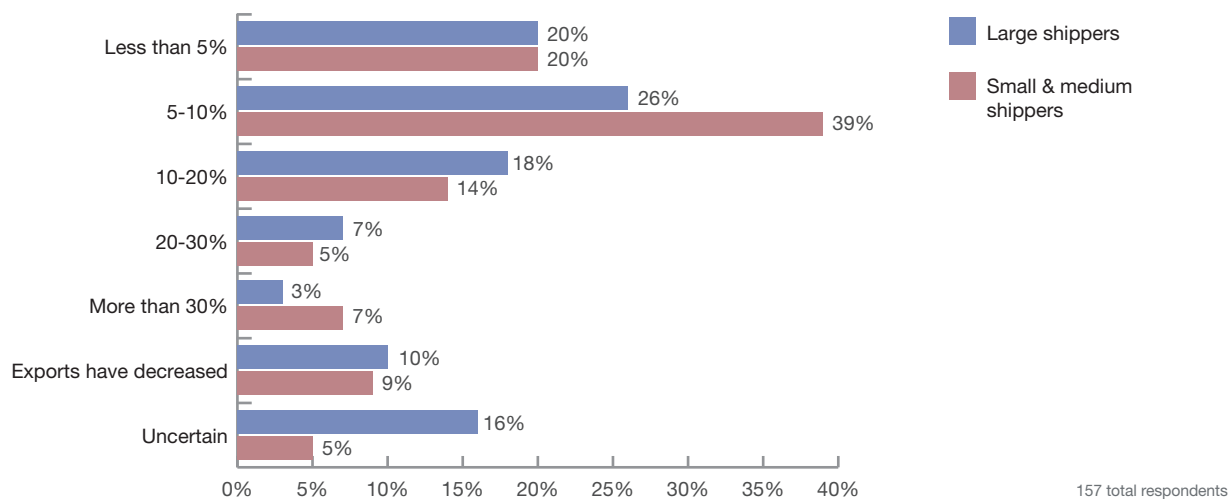
This year sees a decrease in the number of countries where exports are being shipped. Last year, companies were shipping to 38 countries on average, compared to 31.9 this year.
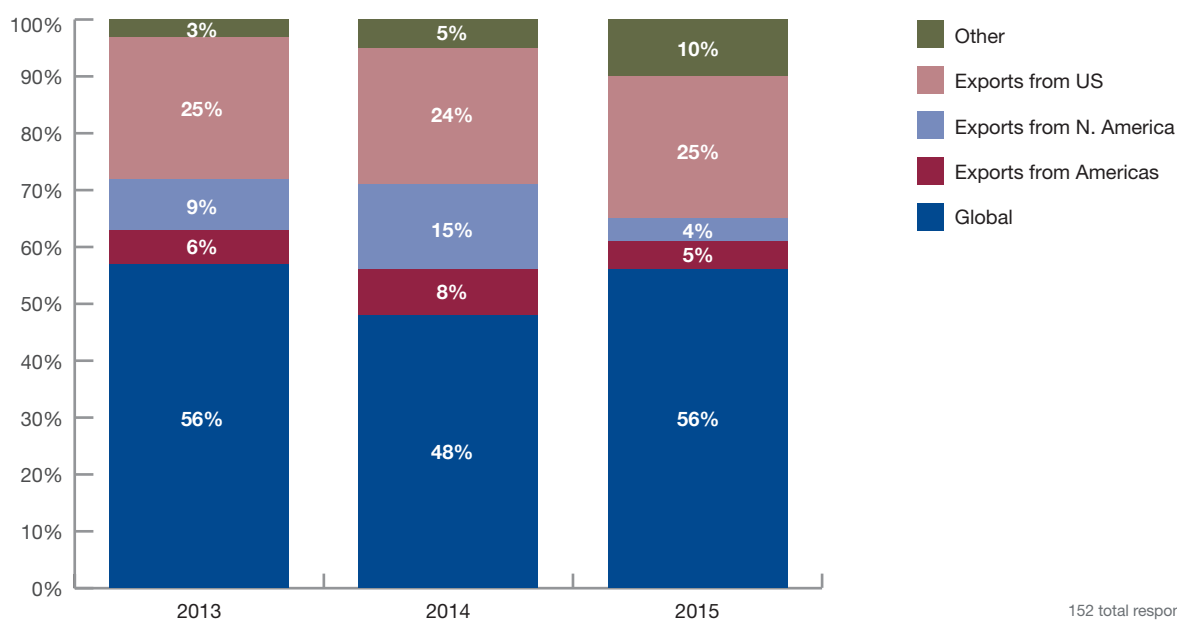
Figure 7: Exporter's Productivity Table

	Large shippers	Small & medium shippers
Countries	42	22
FTE	13	9
BIS-Snap-R/Year	11	2
DDTC/Year	4	3
OFAC/Year	2	1
Customs Ruling Requests/Year	1	2

128 total respondents

In addition to a decrease in U.S. exports due to the strong dollar, global geopolitical issues such as those with Russia and Ukraine and the Middle East may have resulted in exporters making conscious decisions to pull out of certain countries and focus sales in areas with reduced risk exposure.

There was a jump this year in the number of respondents that said they are now responsible for exports globally. This added worldwide responsibility will require export managers to increase their knowledge of multiple country and territory regulations. This is a chance for export managers to widen the scope of their compliance knowledge but also gives them the opportunity to streamline and consolidate export operations and compliance processes.

Figure 8: Scope of Export Manager's Responsibility

Legend:
- Other
- Exports from US
- Exports from N. America
- Exports from Americas
- Global

2013:
- Other: 3%
- Exports from US: 25%
- Exports from N. America: 9%
- Exports from Americas: 6%
- Global: 56%

2014:
- Other: 5%
- Exports from US: 24%
- Exports from N. America: 15%
- Exports from Americas: 8%
- Global: 48%

2015:
- Other: 10%
- Exports from US: 25%
- Exports from N. America: 4%
- Exports from Americas: 5%
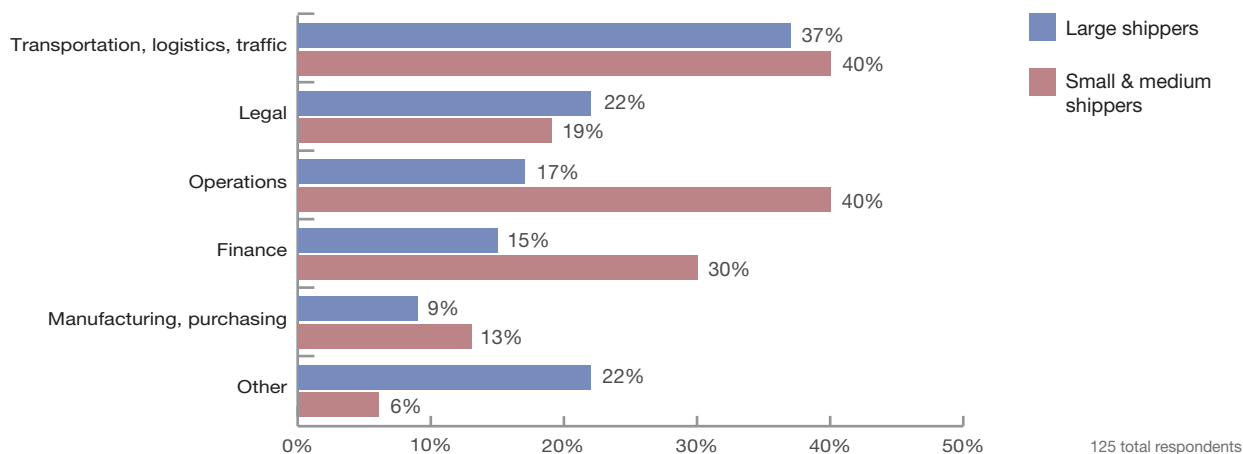- Global: 56%

152 total respondents

Section IV: Export Structure and Policy Trends

The majority of exporters still report into transportation, logistics and operations. This indicates that export compliance is still generally seen as transactional and not a strategic part of the business. As enforcement activities increase, export compliance as a risk area is gaining visibility by in-house counsel. Where the export compliance function does not report into legal, more companies are employing dotted line structures, where legal and export compliance are engaging regularly. That's particularly relevant given that Cuba, Russia, Ukraine, and Iran are in the news often, and export enforcement, OFAC and the U.S. Department of Justice are regularly publishing penalty cases.

Ultimately, further trending into Legal and Finance functions would be optimum, so compliance will be considered more of a competitive advantage and revenue generator.

Figure 9: What Departments Does Compliance Report To?

	Large shippers	Small & medium shippers
Transportation, logistics, traffic	37%	40%
Legal	22%	19%
Operations	17%	40%
Finance	15%	30%
Manufacturing, purchasing	9%	13%
Other	22%	6%

125 total respondents

Export compliance is now being included in strategic new market discussions, a positive trend that signals export practitioners are increasingly being given a seat at the table in these crucial decisions. The inclusion of export compliance specialists in new market discussions early and often is a key determiner of market entry success.

By including export compliance in these discussions, companies can perform their due diligence to determine export-related risk, as well as due diligence that needs to occur well in advance of market entry. Companies that fail to involve export compliance are missing an opportunity to evaluate the requirements for market entry, from a financial, compliance and customer experience perspective. They may also expose themselves to unnecessary risks, and even potential violations.
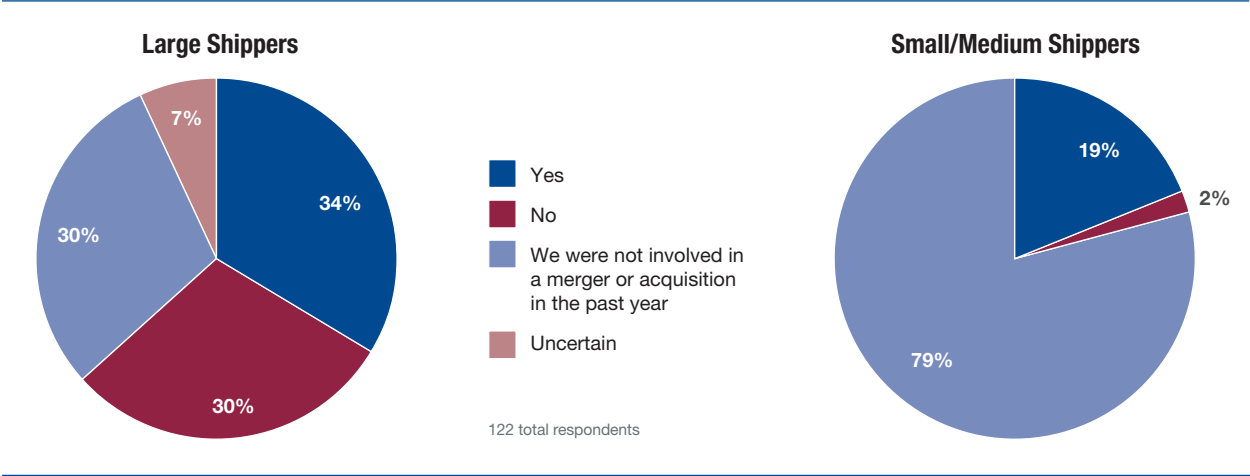
Figure 10: Inclusion in New Market Discussions

125 total respondents
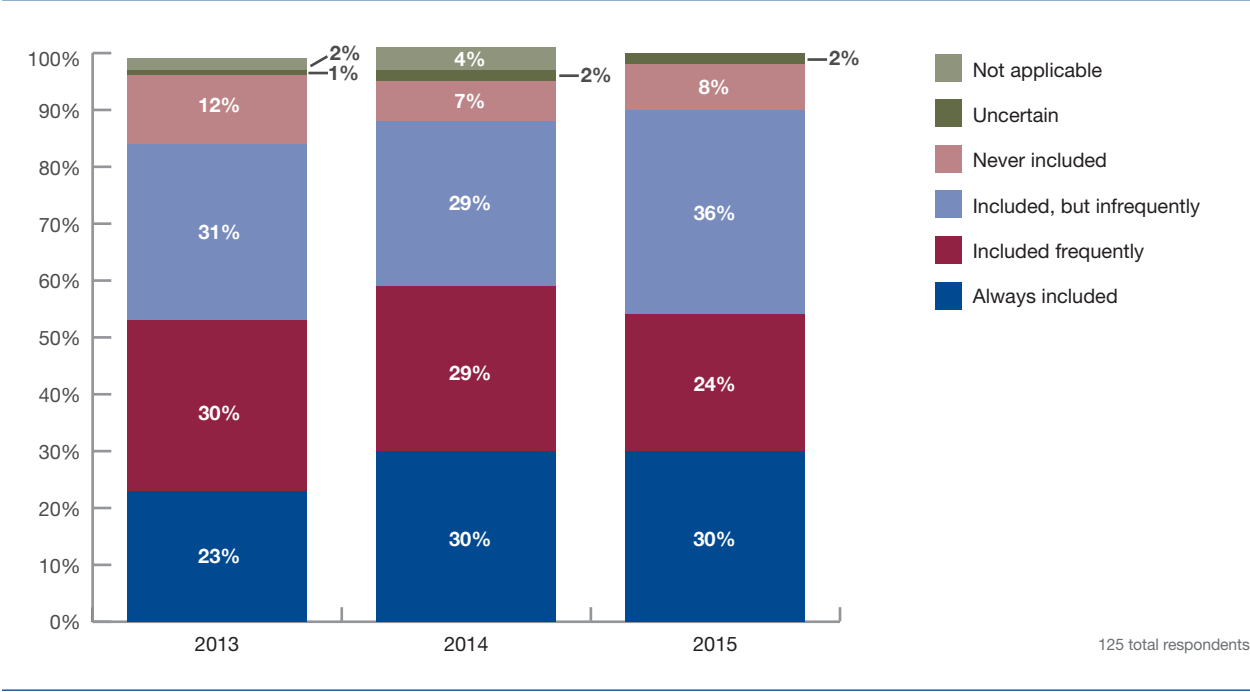
Last year was the first in five years of this survey that export compliance respondents said they was being included in strategic discussions regarding mergers and acquisitions the majority of the time. This year, 34 percent said their companies performed due diligence on acquisitions, but a similar number said they did not. Companies that fail to involve export compliance in such due diligence initiatives are opening themselves up to unknown risks and even potential violations.

By including export compliance in these discussions, companies can perform their due diligence to determine export-related risks with the new business. They can also identify whether disclosures might be required by the other company. Export compliance departments can also identify if the newly acquired company could contribute to new cost saving opportunities through foreign trade agreements or sourcing/warehousing strategies. There is much to uncover for companies that fail to involve compliance in merger and acquisition activity.
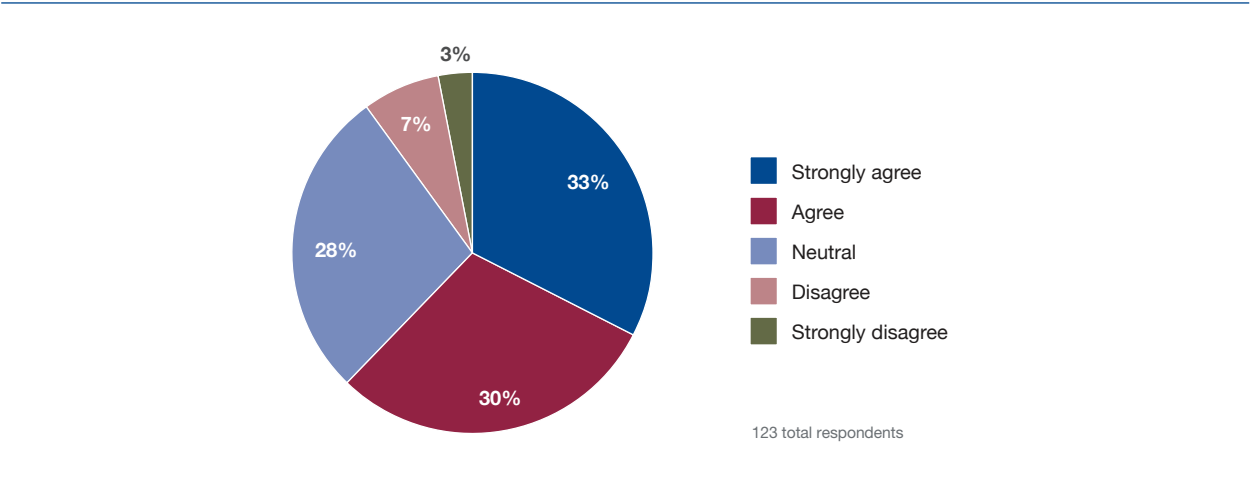
Figure 11: Did Trade Compliance Perform Due Diligence on Mergers in Past Year?

Large Shippers

- Yes: 34%
- No: 30%
- We were not involved in a merger or acquisition in the past year: 30%
- Uncertain: 7%

Legend:
- Yes
- No
- We were not involved in a merger or acquisition in the past year
- Uncertain

122 total respondents

Small/Medium Shippers

- 19%
- 2%
- 79%

On the negative side, only one in three respondents believes that export compliance plays an important role in new business opportunities. Perhaps the challenge is that they have not yet themselves attempted to quantify why export compliance is an important topic when it comes to developing new business opportunities.

Shifting the perception that export compliance is operational to understanding how export compliance is truly strategic may eventually change these numbers. It will be important for export compliance functions to be able to talk to C-level executives, and use the C-suite's language to hone in on the value of export compliance as a strategic function.

Figure 12: Export Compliance Plays Important Role in New Business Opportunities

- Strongly agree: 33%
- Agree: 30%
- Neutral: 28%
- Disagree: 7%
- Strongly disagree: 3%

Legend:
- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

123 total respondents

As with last year, this year's report focuses on export declaration compliance. Although exporters that rely on carriers and freight forwarders to file their EEIs take a risk of losing a bit of control over accuracy and timeliness of the filings, it turns out most shippers do so anyway. Small/medium shippers are more likely to file their own EEIs using internal staff relative to large shippers.

Also interesting to note is that 9 percent of large shippers and 8 percent of small/ medium shippers do not file EEIs at all, indicating they must have low dollar shipments, shipments that do not require licenses, or shipments that meet other AES filing exemptions.

**Figure 13: Responsibility for EEI Filing**
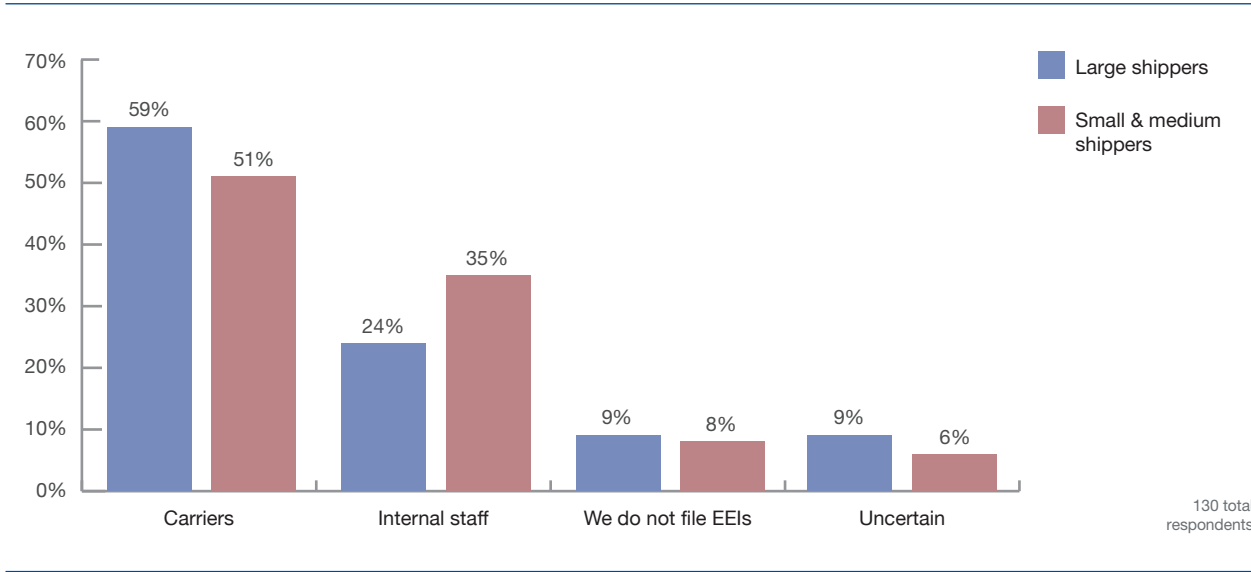
The great news is that the vast majority of both large and small/medium exporters review the EEIs filed either internally or by their carriers. Like last year, this demonstrates that a strong compliance program is in place for these exporters. CBP has started to enforce penalties on incorrect and late EEI filings, so it behooves exporters to ensure their declarations are filed correctly and promptly.

Fortunately, we saw a decline in the number of exporters that do not review their EEI filings. Last year approximately 20 percent of shippers were not auditing their EEIs. This year, only 9 percent of large shippers are not reviewing EEIs, a significant improvement.

However, 27 percent of small/medium shippers still aren't reviewing their EEIs whether they are filed internally or by a carrier. These exporters are putting themselves at risk for unknown errors and costly mistakes. It implies that not only do these exporters have a weak compliance program, but they are also not monitoring the performance of their carriers.

Figure 14: Are EEIs Reviewed?

Large shippers

Small & medium shippers

127 total respondents
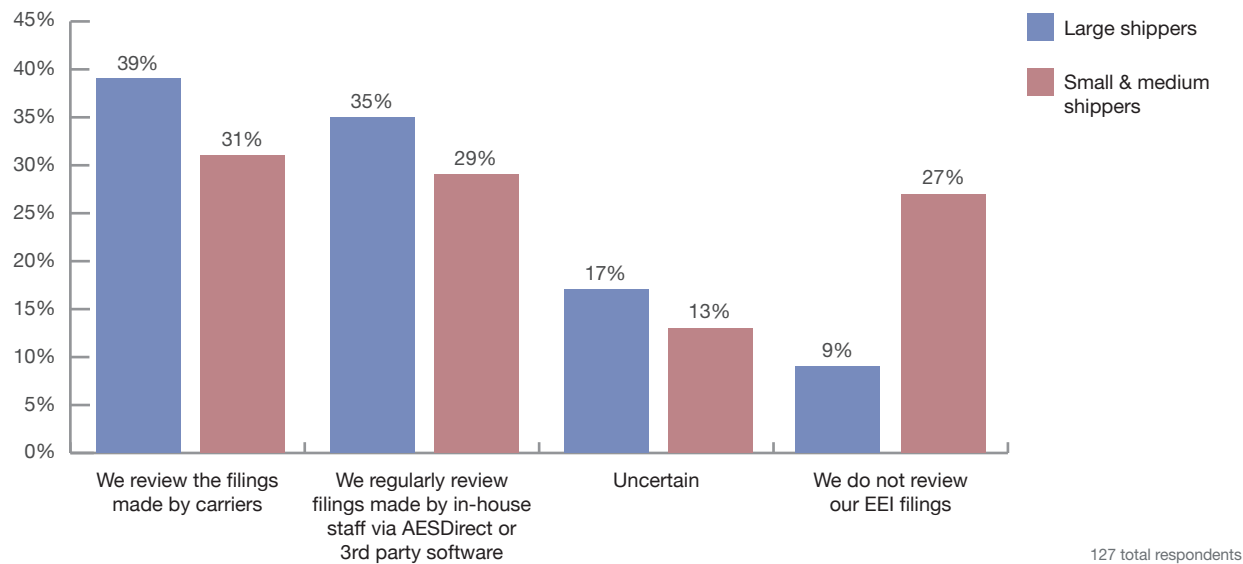
Section V: Export Technology Usage

Over the past five years of this benchmarking exercise, there has been a steady increase in the number of respondents who are using GTM-specific technology to manage their exports. That increase has come as the number of respondents using a hybrid, kitchen-sink approach has decreased—from 43 percent in 2012 to barely more than a quarter this year. Meanwhile the number of companies handling things in a manual fashion (remember, that's essentially relying on spreadsheets and email, not chisels and tablets) has held steady.

Figure 15: Export Management Platform 2011-2015
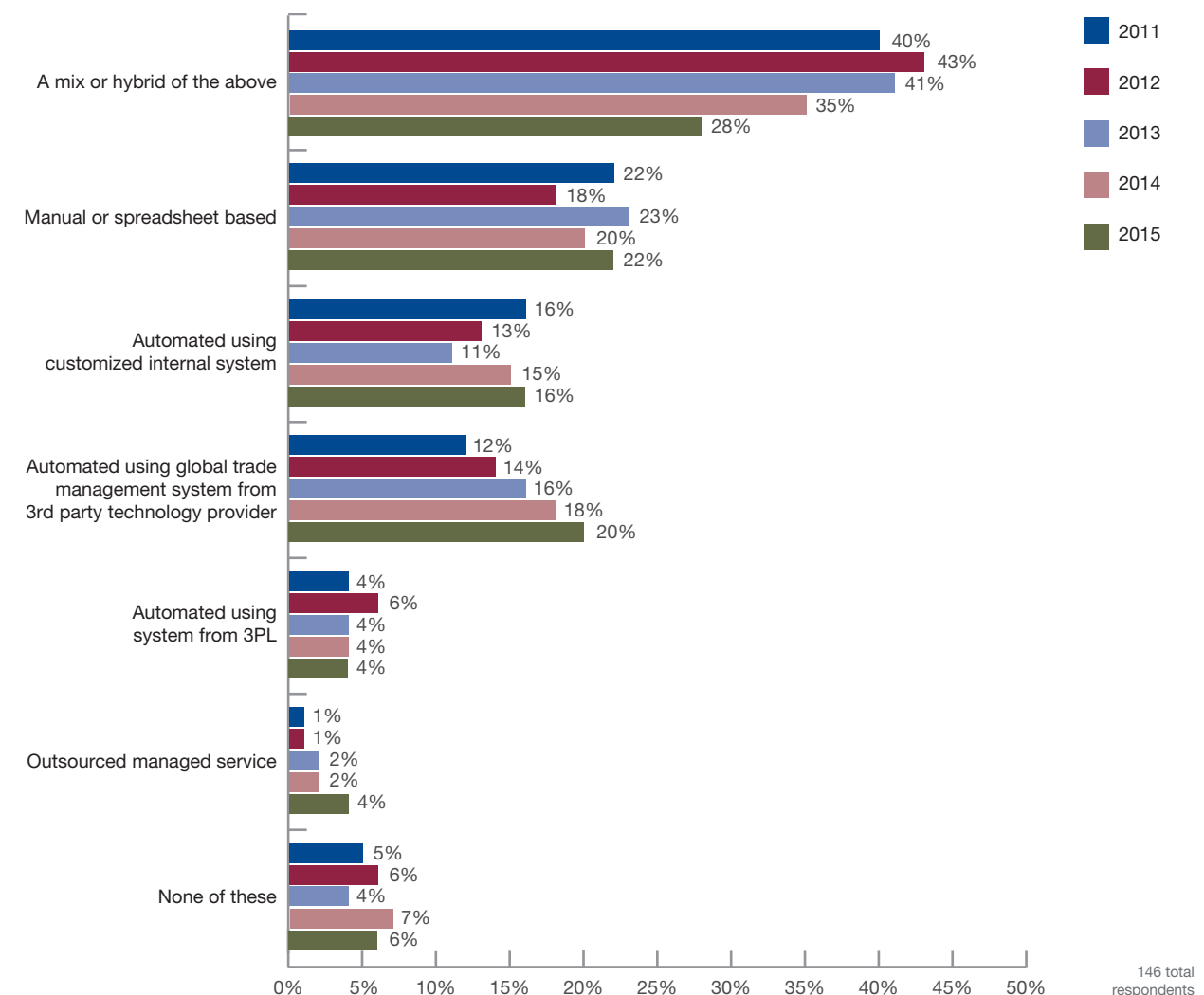

146 total respondents

This is good news overall. Just shy of 45 percent of respondents indicate they have a single export management platform that's not Excel, compared to 33 percent just two years ago. The key will be transitioning that group of manual exporters—generally one in five respondents over the course of this benchmarking study—to a systems-based approach.

Those who said they haven't invested in export management technology cite two primary reasons – lack of funding and internal resources, and a lack of visibility into the return on investment from such technology. It is incumbent upon export compliance systems providers to clearly spell out the ROI from their products, but the reality is, many exporters don't have systems due to lack of budget.

Those companies may want a system, but other IT projects take priority. Unfortunately, it often takes a compliance or operational failure—and subsequent penalties or bottom line hits—to motivate a company to invest in export technology. It's a problem many organizations face—supply chain often takes a back seat to sales and marketing. That attitude is changing, but it clearly manifests itself in organizations that don't carve out a budget to automate processes like export compliance that are cumbersome and fraught with inaccuracies.

Figure 16: Inhibitors to Investment in Systems
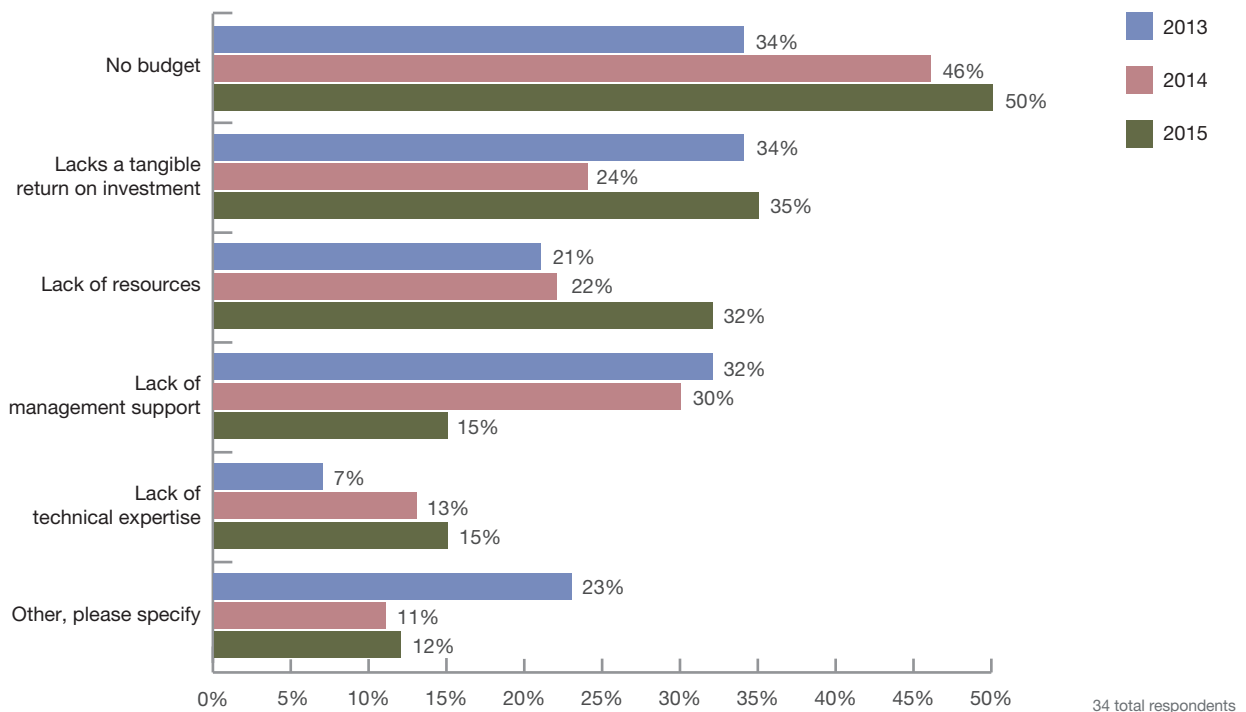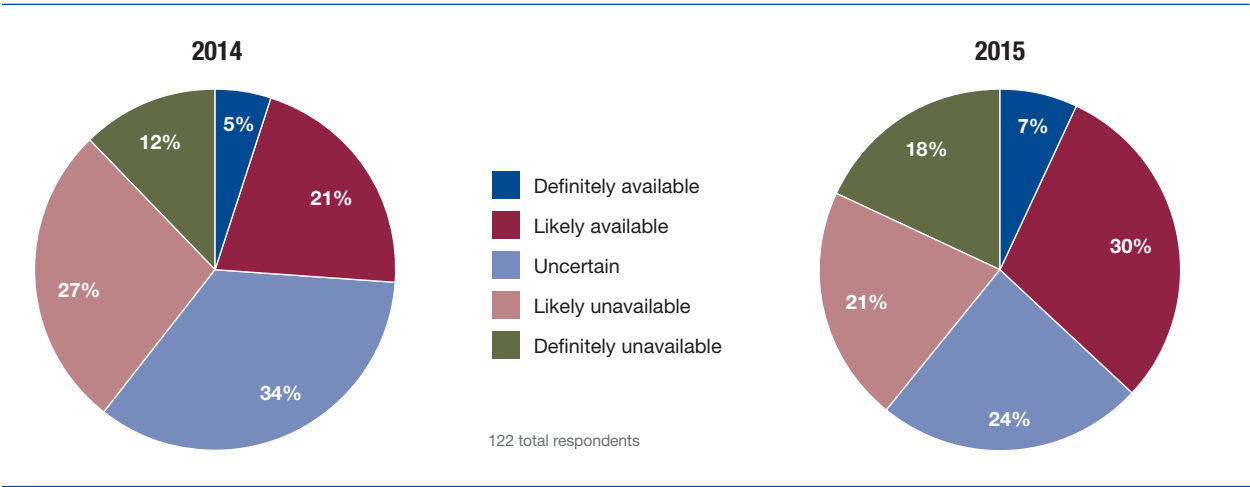

34 total respondents

There is some cause for optimism in terms of whether exporters have funds available to invest in technology. The percentage of respondents indicating that funding is available rose 42 percent from last year, though still only about a third of the market has access to such funding. That's evidenced by the fact that those who indicated investment is not available stayed virtually the same as last year.

What's heartening is that the number of respondents uncertain about such investment dropped. And after this report and other *American Shipper* benchmark studies in 2014 called on readers to determine whether they did indeed have funding to invest in technology available, it seems many of those actually found out that they do have funding after all.

Still, roughly a quarter of respondents are unclear, either a function of them not being sure how to go about obtaining funds, or whether the company will support such a project.

Figure 17: Is Funding Available for Export Management Technology

2014

2015

- Definitely available
- Likely available
- Uncertain
- Likely unavailable
- Definitely unavailable

122 total respondents

One of the core elements of investing in technology is communicating the importance that technology plays in modern export organizations. Simply put, it's hard for exporters of any size or scale to grow without investment in technology. But investment is hard to come by, as evidenced in Fig. 17, when the broader organization doesn't understand the importance of global trade management technology.

It's the classic chicken-or-egg situation. Without executive level understanding of how technology can impact export operations and compliance processes, it's hard for export professionals to secure the necessary funding to invest in technology. But without investing in technology, it's harder for export professionals to delineate the areas where that technology can make things better. As any software vendor will tell you, the competitor they most often come up against is the status quo.

Figure 18: Company Understands Impact of GTM Technology

Large Shippers

- 52% Yes
- 36% No
- 12% Uncertain

Small/Medium Shippers

- 38% Yes
- 36% No
- 26% Uncertain

Legend:
- Yes
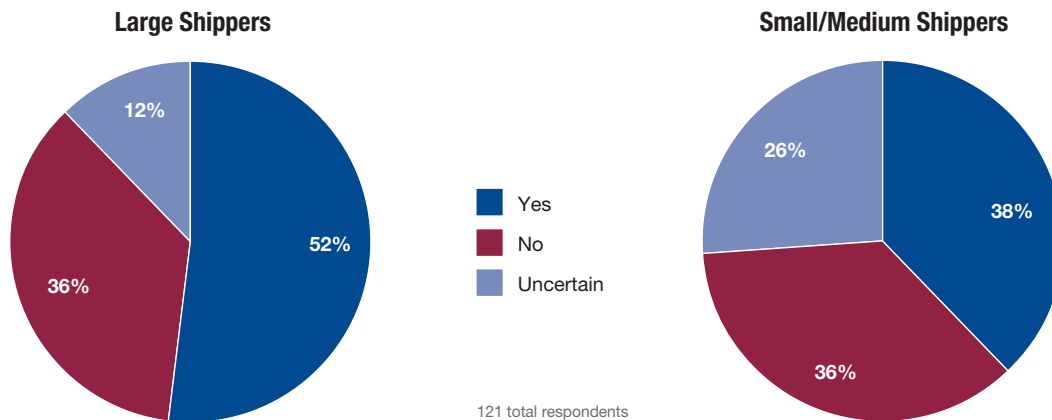- No
- Uncertain

121 total respondents

Fig. 18 shows that larger exporters are more aware of the impact that GTM technology has than their small and medium-sized counterparts. That makes sense, given those in larger enterprises are more likely to have some experience with compliance technology, if not GTM software itself. But more than a third of respondents in both categories say their company doesn't understand the impact GTM software has. It's this segment that technology providers are itching to reach.

Roughly half of respondents have no plans to integrate their compliance and transportation management systems, a big increase from 2014. And roughly 70 percent either have no plans to do so, are uncertain, or classify it as a back-burner, long-term project. That number jives with what *American Shipper* and BPE Global discovered in our recent import benchmark study. It leaves us to conclude that the bulk of exporters, like importers, see such integration as a time-consuming and costly endeavor and have other priorities in the short term.

Figure 19: Plans to Integrate GTM and TMS

2014

- 18% Yes we're already integrated
- 10% Yes in the next 12 months
- 10% Yes in the next 12-24 months
- 17% Yes this is on our 5-year plan
- 33% No we do not have any plans to integrate
- 13% Uncertain

2015

- 16% Yes we're already integrated
- 7% Yes in the next 12 months
- 6% Yes in the next 12-24 months
- 9% Yes this is on our 5-year plan
- 47% No we do not have any plans to integrate
- 15% Uncertain

Legend:
- Yes we're already integrated
- Yes in the next 12 months
- Yes in the next 12-24 months
- Yes this is on our 5-year plan
- No we do not have any plans to integrate
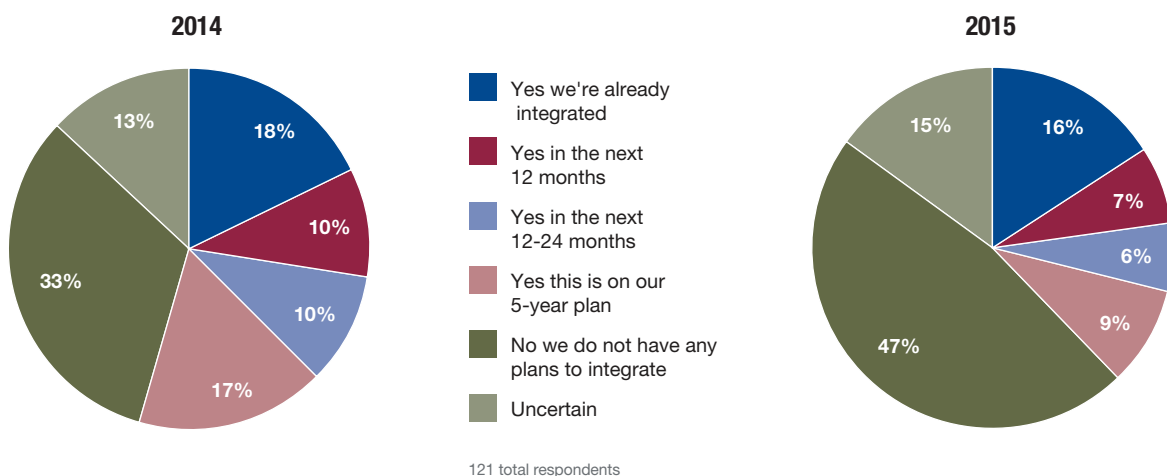- Uncertain

121 total respondents

Fig. 20 corroborates the trends seen in Fig. 15, with the number of respondents saying they manage exports with a tangle of systems dwindling. Again, this is positive news. Drawing data from multiple systems is inefficient, and doesn't let a company map out its export strategies as easily as when export compliance data is housed within a single system of record. All the better if that system incorporates both the compliance and transportation (and even financial) elements of a shipment.

That said, we continue to fail to see respondents flocking to software-as-a-service (SaaS) on-demand models in this space. Fewer than one in 10 respondents strictly uses such a delivery model for their software needs. Now, of course, a large proportion of those using a hybrid approach will be using on-demand software as part of this mix. But the sense is that exporters remain wary of rushing into a cloud-based model, whatever their concerns may be. We could speculate that those concerns (rightly or wrongly) revolve around data security, but have no evidence from this study to conclude that.

Figure 20: Export System Delivery Model

121 total respondents
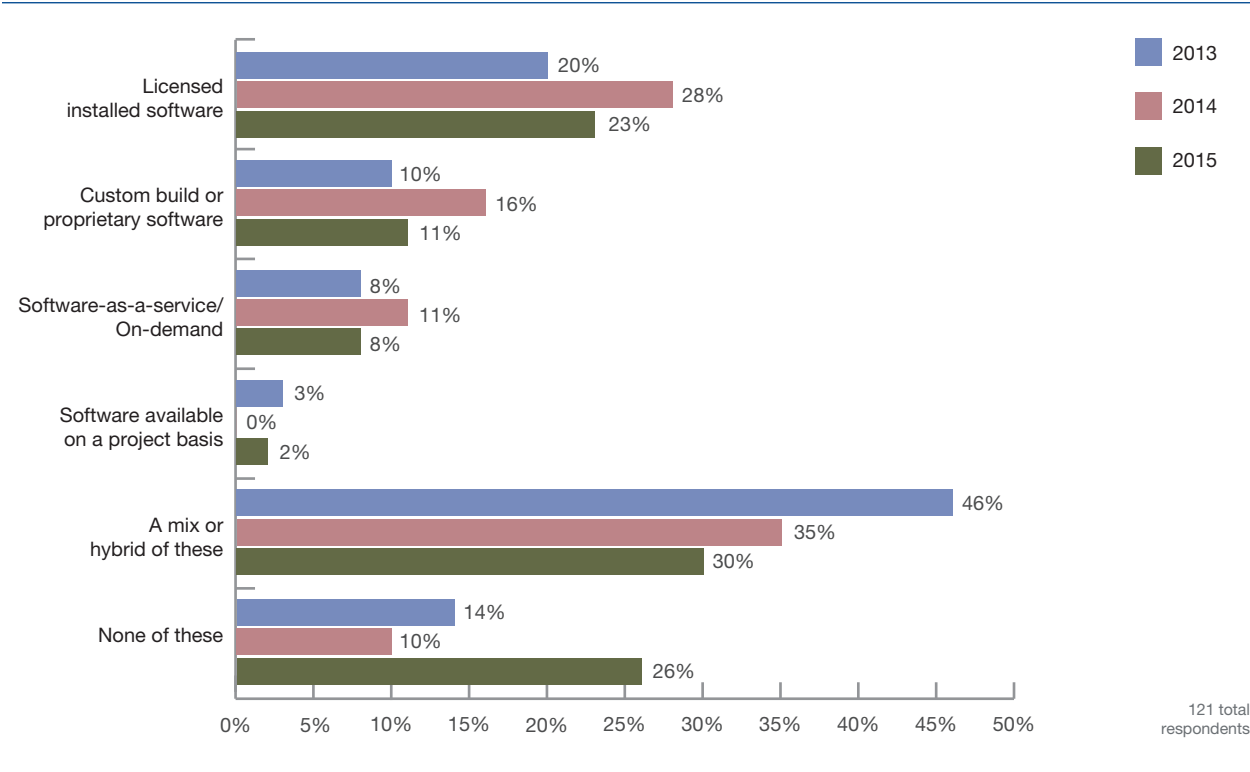
As for what specific functions exporters plan to add in the next year, product classification is a clear area of focus, particularly for larger shippers. Larger shippers also say they are eager to add trade content and record-keeping functionality. Across the board, larger shippers are keener to add functionality than their small and medium-sized peers, a sign that system usage is just more widespread across larger enterprises when it comes to exporting.

Figure 21: Planned Functionality Additions in Next Year

97 total respondents
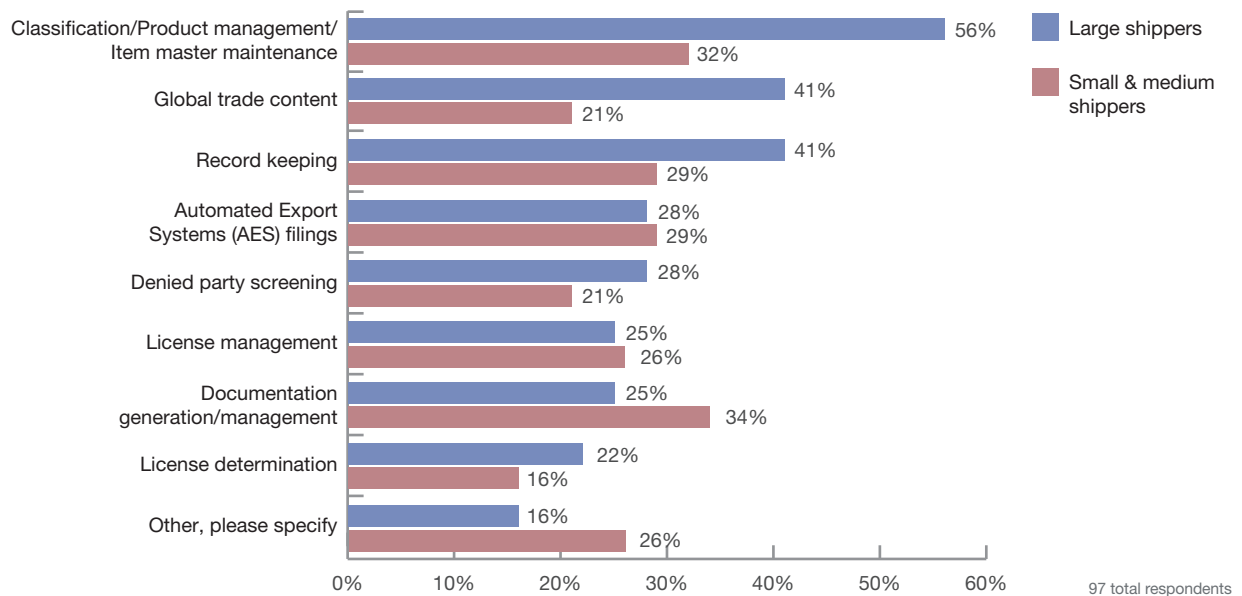
Section VI: Best Practices

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:

- Align and consolidate regional compliance policies and metrics as responsibilities become more global. This will allow more transparency into how each region operates and provides consistent compliance-related data back to headquarters for assessment.

- Continue to increase export compliance's participation in new product development, mergers and acquisitions, and market entry decisions. It's imperative that companies understand what effect ECR, Russian sanctions, and TTP will have on new developments within your company.

- Audit EEI declarations regardless whether your company is outsourcing this work to a freight forwarder or performing it in-house. It's an excellent way to determine the level of compliance and risk for your company.

- Continue to pursue corporate commitment and management awareness for compliance and export activities. Use this report to benchmark where your company is in relation to your peers. Strive for change.

- As exports for a company grow, the need to automate processes increases. What was manageable on a small scale is not manageable on a larger scale, both in terms of process efficiency and error reduction. Automating compliance processes is not just an ROI-based decision, it's a risk avoidance decision.

- Think about the where your company's vulnerabilities lie from a compliance perspective, and start with a small foundational automation project. It's easier to convince executives to back larger IT investment in export technology if there's a success story already in place.

Appendix A: Demographics
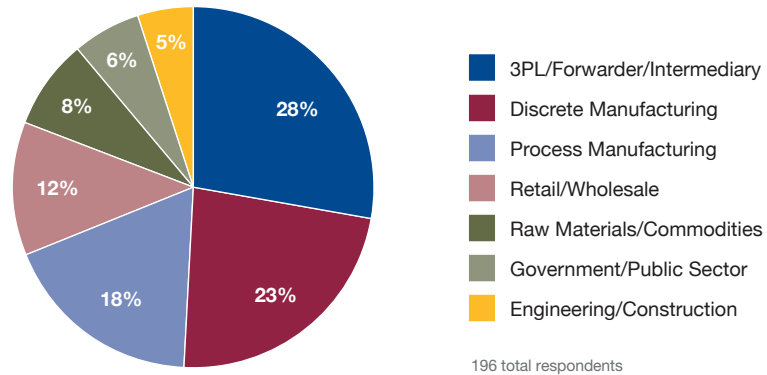
Figure 22: Industry Segments

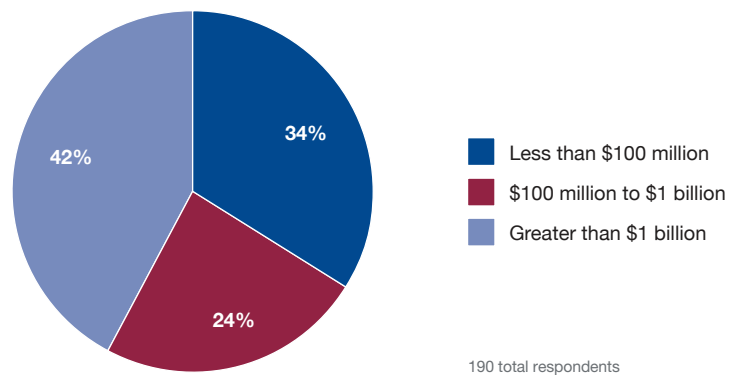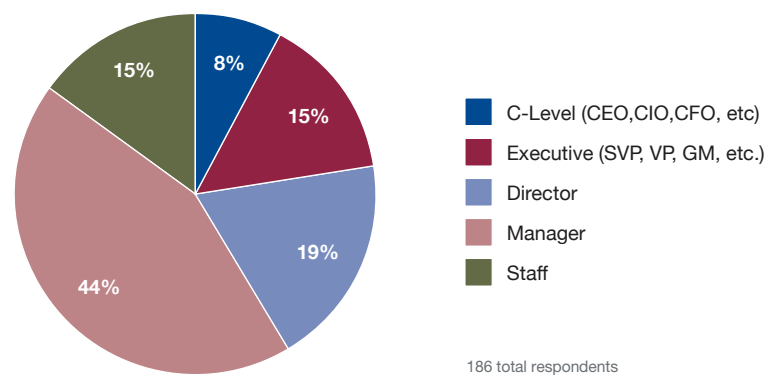- 3PL/Forwarder/Intermediary — 28%
- Discrete Manufacturing — 23%
- Process Manufacturing — 18%
- Retail/Wholesale — 12%
- Raw Materials/Commodities — 8%
- Government/Public Sector — 6%
- Engineering/Construction — 5%

196 total respondents

Figure 23: Company Size

- Less than $100 million — 34%
- $100 million to $1 billion — 24%
- Greater than $1 billion — 42%

190 total respondents

Figure 24: Job Titles Surveyed

- C-Level (CEO, CIO, CFO, etc) — 8%
- Executive (SVP, VP, GM, etc.) — 15%
- Director — 19%
- Manager — 44%
- Staff — 15%

186 total respondents

Appendix B: Regulatory Agencies, Regulations and their Acronyms

- **Automated Export System (AES)**—System used by U.S. exporters or their freight forwarders to file documentation electronically with U.S. Customs and Border Protection.

- **Bureau of Industry and Security (BIS)**—The Bureau of Industry and Security (BIS) is an agency of the U.S. Department of Commerce and its mission is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS is led by the department's undersecretary for industry and security.

- **Census Bureau Foreign Trade Division**—The Census Bureau's Foreign Trade Division, which is an agency of the U.S. Commerce Department, compiles the nation's export and import statistics and is responsible for issuing regulations governing the reporting of all export shipments from the United States.

- **Commodity Classification Automated Tracking System (CCATS)**—Code assigned by the Bureau of Industry and Security to products governed by the Export Administration Regulations.

- **Directorate of Defense Trade Controls (DDTC)**—Under the U.S. State Department, the Directorate of Defense Trade Controls is charged with controlling the export and temporary import of defense articles and defense services covered by the U.S. Munitions List (USML).

- **Export Administration Regulations (EAR)**—The EAR is issued by the U.S. Commerce Department's Bureau of Industry and Security under laws relating to the control of certain exports, re-exports, and activities, known as dual-use commodities (Title 15 of the Code of Federal Regulations Parts 730 through 774). Dual-use commodities can be used for both commercial and military applications.

- **Export Control Classification Number (ECCN)**—A code issued by the Bureau of Industry and Security that defines the level of export control for items exported from the United States and other member states of the Wassenaar Arrangement.

- **Electronic Export Information (EEI)**—Information provided to the U.S. Census Bureau and used for export compliance and governmental reporting. Formerly known as Shipper's Export Declaration (SED), the EEI is filed electronically with the U.S. Census Automated Export System (AES), either by the exporter, or by a third party on the exporter's behalf.

- **International Traffic In Arms Regulations (ITAR)**—These are the U.S. State Department's export control regulations for defense-related articles and services.

- **Office of Foreign Assets Control (OFAC)**—The Office of Foreign Assets Control (OFAC) of the U.S. Treasury Department administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

- **Trans-Pacific Partnership (TPP)**—A proposed 12-nation trade agreement of primarily Pacific Rim nations (including the United States) that seeks to lower trade barriers such as tariffs, establish a common framework for intellectual property, and enforce standards for labor law and environmental law.

Appendix C: 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 Export Management solution automates necessary export compliance checks and executes functions such as country controls, restricted party screening (RPS), license determination and tracking, document generation, and filing.

For more information, please visit www.AmberRoad.com, email Solutions@AmberRoad.com or call 201-935-8588.

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.

Appendix D: About Our Partner

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.

Appendix E: 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.

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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American Shipper

Export Operations and Compliance | Benchmark Report: 2015