American Shipper

In partnership with:

BPE

Export Management Benchmark Study: Initiative and Action—Reform, NEI, Best Practices & Technology

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Executive Summary

American Shipper, in partnership with BPE, surveyed nearly 500 U.S.-based exporters on export regulatory reform, the National Export Initiative, management practices, organizational structure and export management technology. This study, conducted from July 27 through Aug. 15, included 35 questions intended to gauge the industry's understanding of these issues and the best path forward.

Qualified survey participants include a cross section of U.S. exporters such as third-party logistics providers/intermediaries (37 percent), process and discrete manufacturers (27 and 14 percent respectively) and retail/wholesale (12 percent). Raw materials, commodities, construction and engineering are presented as one group ("other") representing 9 percent of the total response. Small, medium and large companies were represented nearly equally.

Export Control Reform

Past reforms proposed by the Obama administration have put unprecedented attention on the export industry, but to date the White House-led export control reform process has been closed to the public.

We do know that this reform initiative includes four key principals:

- Single control list.
- Single primary enforcement agency.
- Single IT system.
- Single licensing agency.

The industry clearly supports the need for an overhaul to the current regulatory environment. Nearly 75 percent of respondents say they want a single combined export regulation; only 7 percent said they disagreed. When asked to rate the importance of each principal change, respondents illustrated that all are nearly equal in importance.

However, survey respondents appear to be unaware of the specifics related to export reform and the impacts of the changes planned. Several questions related to specific reform initiatives were met with responses of "uncertain," demonstrating a lack of understanding of the details behind the reform efforts.

National Export Initiative

NEI is the Obama administration's program to improve conditions that directly affect the private sector's ability to export. This study clearly demonstrates that industry is far from convinced that these programs can really impact their business prospects. Fifty-six percent of respondents said the program would have no impact and another 36 percent believe they will see an increase of less than one quarter. No respondent supported the president's goal of a 100 percent increase.

Lack of awareness—or perhaps interest—appears to be the culprit once again. Few companies polled participate in trade missions organized to boost trade, and fewer leverage export assistance programs provided by the federal government. Surprisingly less than half or respondents felt they would participate in these program if presented with the opportunity.

Export Operations

Export compliance is widely seen as a function of transportation or operations. Nearly 75 percent of respondents say they report to those groups while 27 percent of respondents report to legal in some fashion. Large companies are significantly more likely to have compliance report to legal than their smaller peers, although compliance is still closely tied to transportation. Surprisingly, large companies are also more likely to include their export compliance practitioners in strategic discussions related to mergers, acquisitions and divestitures.

With the exception of Automated Export System filings, outsourcing of export compliance functions remains limited. More than half of companies polled do not outsource and another 31 percent outsource less than one quarter of their export compliance activities.

Export Management Systems

Only 23 percent of survey respondents categorize their export management platform as entirely manual or spreadsheet based. Another 41 percent of these exporters are using a platform they consider a mix or hybrid approach to managing this function. Roughly 30 percent manage their exports using a systems-based approach.

Systems investments are clearly impacted by the nature of the exporter's product. Companies whose products are subject to International Traffic in Arms Regulations (ITAR) regulations are noticeably more likely to leverage a system of some sort and considerably less interested in a manual or hybrid approach.

Survey respondents consider export systems a strategic investment by a very convincing margin. Roughly 70 percent of respondents agree or strongly agree that this is the case. Again the argument for systems investments becomes even clearer when products governed by ITAR come into play. Nearly 80 percent of ITAR exporters agree or strongly agree whereas only 8 percent disagree to any extent.

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Section I: Introduction

STUDY METHODOLOGY AND TIMEFRAME

Nearly 500 U.S.-based exporters participated in this study between July 27 and Aug. 15, 2010. The 35 question survey included questions on export regulatory reform, the National Export Initiative (NEI), management practices, organizational structure and export management technology.

Survey distribution channels included *American Shipper's* subscriber database, BPE's e-mail database, ICPA membership and AAEI membership. Qualified respondents are limited to those companies exporting goods or services (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.

TERMINOLOGY

In the interest of being succinct and direct this study uses several terms or acronyms you may not be familiar with. These explanations and definitions should be kept in mind when reviewing the results that follow.

Automated vs. Manual Exporters—For the purposes of this report the term "automated" does not mean a task is managed without human interaction. Instead, automated export management means a company is employing a substantial amount of technology to support its export operation, allowing staff to interact where necessary to solve problems and optimize the process. Similarly, the term "manual" does not mean the process is managed without the use of computers, Internet access, or other fundamental business tools. It's assumed that companies managing exports manually employ spreadsheets and other support tools.

Regulatory Agencies, Regulations and their Acronyms:

Bureau of Industry and Security (BIS)—The Bureau of Industry and Security (BIS) is an agency of the U.S. Commerce Department which deals with issues involving national security and high technology. A principal goal for the bureau is helping stop proliferation of weapons of mass destruction, while furthering the growth of U.S. exports. The bureau is led by the undersecretary of commerce for industry and security

Directorate of Defense Trade Controls (DDTC)—Under the U.S. Defense 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)—These are the Commerce BIS's regulations for controlling exports of dual-use commodities. Dual-use commodities can be used for both commercial and military applications.

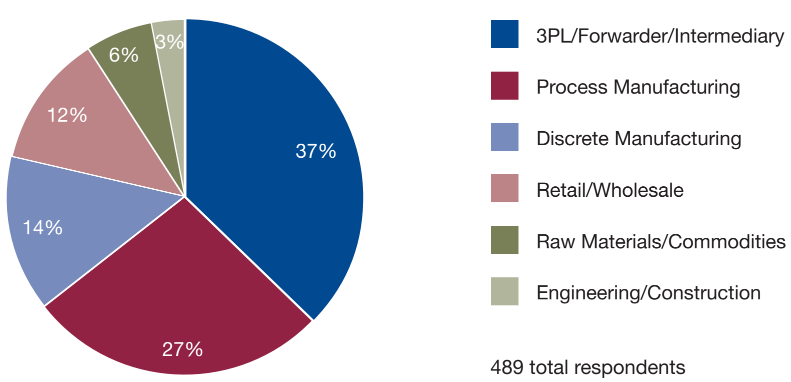
International Traffic and Arms Regulations (ITAR)—These are the U.S. State Department's export control regulations for defense-related articles and services.

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.

SURVEY DEMOGRAPHICS

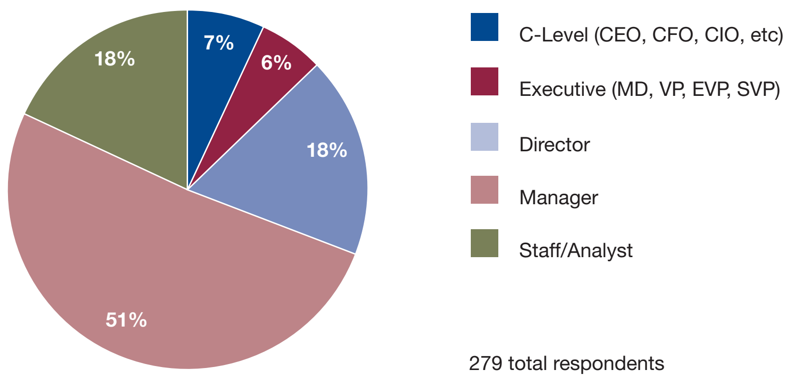
Survey participants include a cross section of U.S. exporters, including 3PL/intermediaries (37 percent), process and discrete manufacturers (27 and 14 percent respectively) and retail/wholesale (12 percent). Raw materials, commodities, construction, and engineering are presented as one group ("other") representing 9 percent of the total response.

FIGURE 1: Industries Surveyed



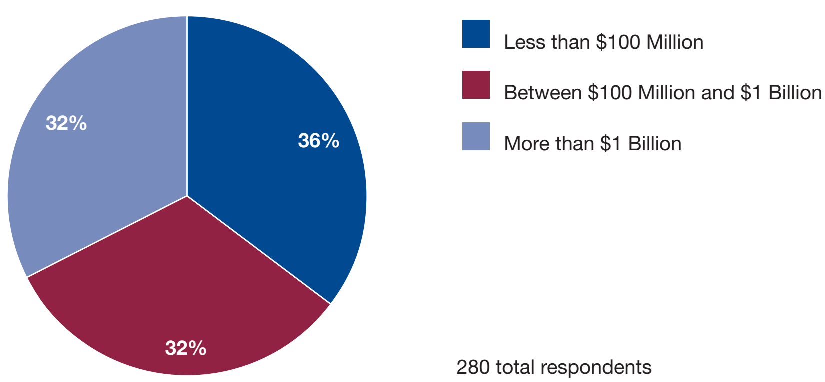
Respondent job titles are consistent with what is expected from a compliance-based issue. With few exceptions the respondents are staff (18 percent), manager (51 percent) or director level (18 percent).

FIGURE 2: Job Title Responsibilities



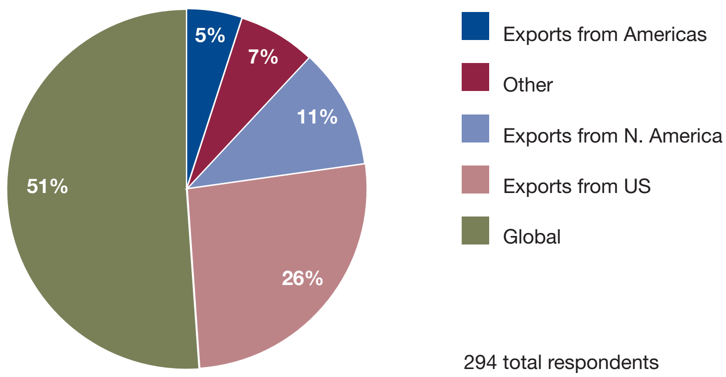
Small, medium and large companies, measured by annual sales, are represented evenly. It is worth noting that the 3PL/intermediary segment is more heavily represented in the small company segment (less than $100 million in annual revenue) and manufacturers are more often large companies (more than $1 billion) by our measure.

FIGURE 3: Company Sizes Represented (In Terms of Annual Sales)



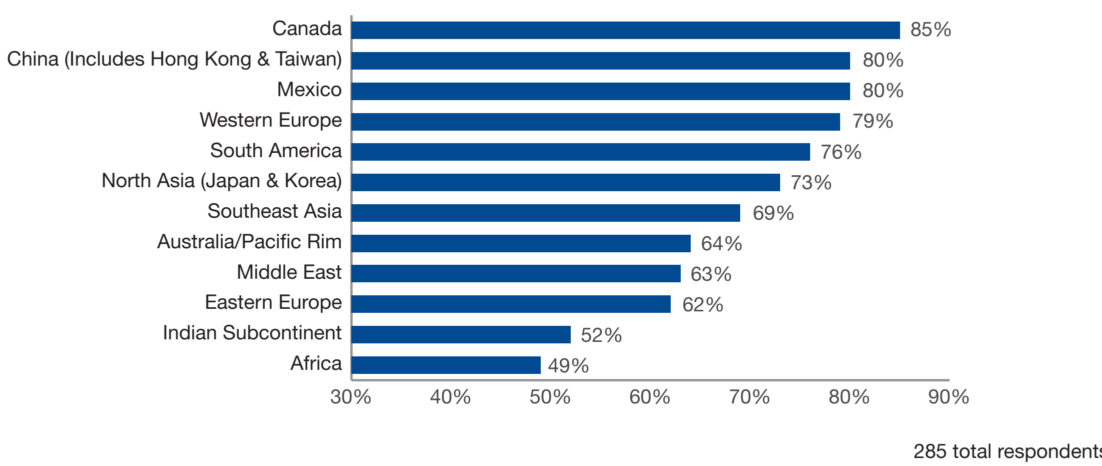
Continuing the current trend of globalization of job functions, the majority of respondents have global responsibility. Discrete manufacturing is even more likely to have global responsibility.

FIGURE 4: Scope Of Responsibility



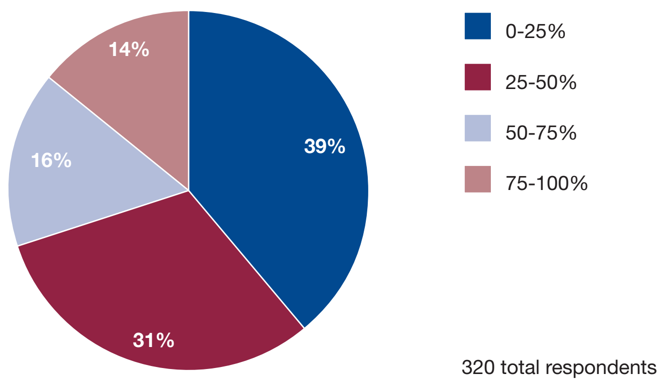
Exporters included in this study are conducting business across the globe.

FIGURE 5: US Export Destinations



Exports represent a considerable portion of the respondent companies' annual revenue. Thirty percent report that exports are more than half of each company's income.

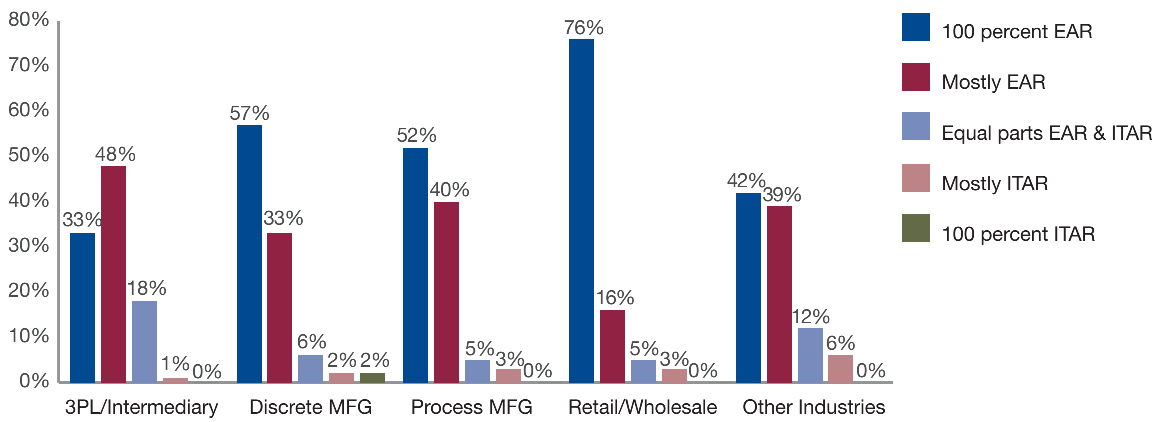
FIGURE 6: Revenue from Exports



The distinction between exporters subject to Export Administration Regulations (EAR) and International Traffic in Arms Regulation (ITAR) is critical to understanding this report. ITAR's strict controls and severe penalties significantly change the nature of how a business operates. Companies subject to the ITAR require very distinct controls in every single aspect of the company. This includes product, technology and human resources controls. As a result this report will compare exporters who have ITAR controlled products against those who do not (100-percent EAR).

Survey results show that ITAR is far more common among manufacturers and other industries which include raw materials and engineering groups. Retail/wholesale, on the other hand, is mainly an EAR governed trade.

FIGURE 7: EAR vs. ITAR by Industry Segment



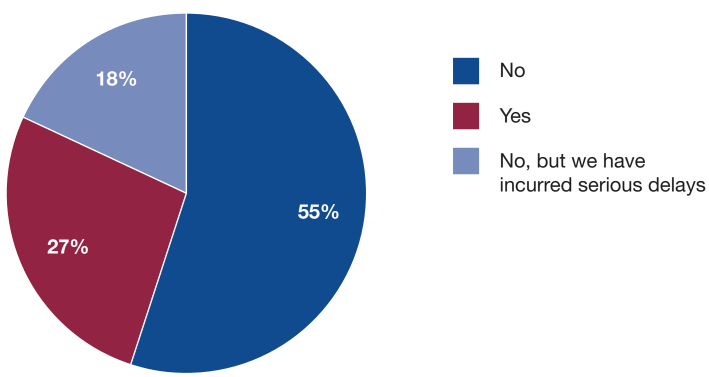
338 total respondents

Section II: Export Controls & Reform

CURRENT EXPORT REALITY

The reality is that today's export controls cost U.S. companies sales. Although only 13 percent of our survey respondents cited lost sales due to ITAR controls and license requirements, while 11 percent of companies cite serious delays. An ineffective and inefficient U.S. export process negatively affects one in four companies. In August 2010, Gary Locke, U.S. commerce secretary, explained that the current export control program includes three regulatory agencies, three separate licensing processes, two distinctly different control lists, three separate IT systems and three sets of regulations which are confusing, time consuming and put companies at a competitive disadvantage. Secretary Locke went on to state that it is hard to argue that our current system maximizes national security.

FIGURE 8: Has your company lost a sale due to ITAR regulations?



164 total respondents

EXPORT CONTROL REFORM

Last August, President Obama directed "a broad-based interagency review of the U.S. export control system with the goal of strengthening national security and the competitiveness of key U.S. manufacturing and technology sectors by focusing on current threats and adapting to the changing economic and technological landscape. The review determined that the current export control system is overly complicated, contains too many redundancies, and, in trying to protect too much, diminishes our ability to focus our efforts on the most critical national security priorities."

So all ears were open earlier this year when Defense Secretary Robert Gates outlined the Obama administration's proposal to reform the U.S. export control system. Gates said "America's decades-old, bureaucratically labyrinthine system does not serve our 21st century security needs or our economic interests. Tinkering around the edges of our current system will not do." Instead, Secretary Gates said the United States needs a system "where higher walls are placed around fewer, more critical items."

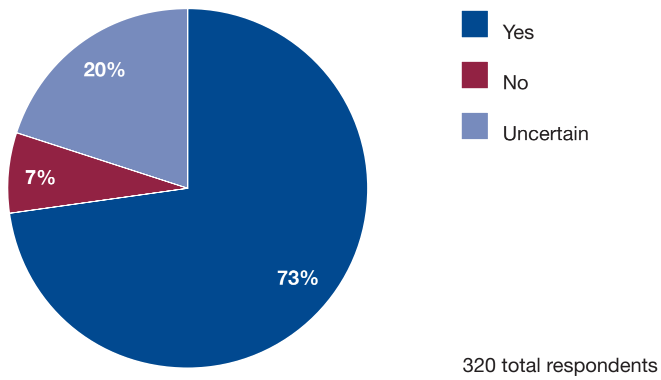
Export reform is an extremely welcome endeavor and we are watching this effort closely because it is one of the White House's top priorities, driven by key senior government officials including three cabinet positions—State Secretary Hillary Clinton, Commerce Secretary Locke, and Defense Secretary Gates. Export reform must address the need to improve the global competitiveness of U.S. companies and recognize that while certain technologies are available globally others must be strictly controlled to protect U.S. interests and security.

President Obama has chartered eight agencies with reviewing export reform. They include the departments of Defense, Energy, Commerce, State, Homeland Security, Justice, and the Federal Bureau of Investigation. The agencies have dedicated personnel to the task force and have given their representatives the authority to make recommendations from their respective agencies. This has been a very different approach from the past, which has been to seek each agency's approval individually. The task force has focused on an assessment of the "whole system" as opposed to a "piece meal" approach. And the task force is taking a build-it-from-scratch approach rather than planning based on legacy systems and processes.

Four key principals form the reform proposal: a single control list, a single licensing agency, a single primary enforcement agency and a single IT system. There are two guiding principles that focus the reform effort, requiring the rules and regulations be transparent and predictable and there be streamlined processes with higher fences while facilitating the export of those items that do not require significant control.

Seventy-three percent of survey respondents stated that they would like to see a single combined regulation for export controls.

FIGURE 9: Would you like to see a single combined regulation for export controls?



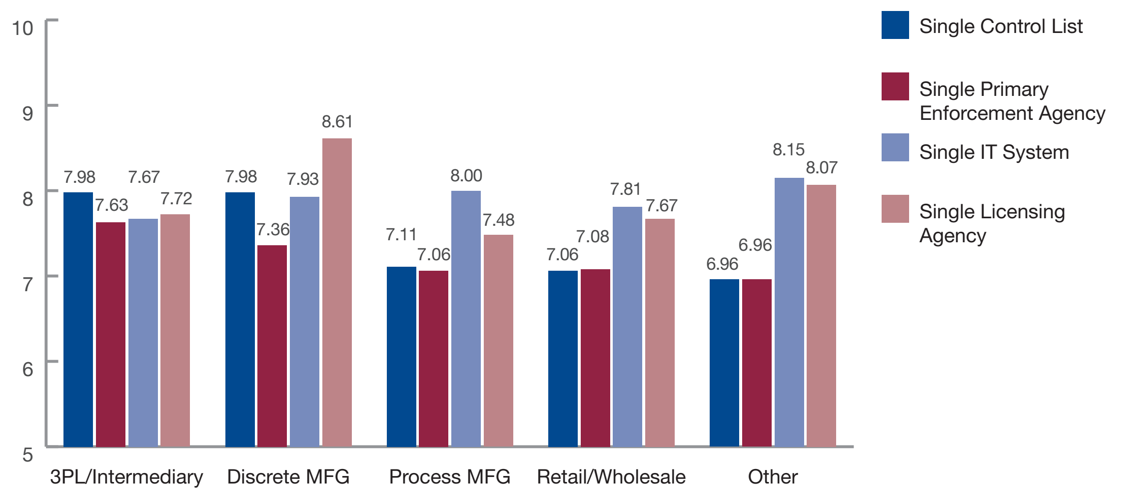
It is clear that industry wants—and needs—reform, but the overall tone is one of caution because there have been false starts in the past. However, this time the odds appear to be higher that we will actually see reform. Two critical elements that have not been present in the past reform efforts include the fact that the current leadership at BIS bring extensive experience from an industry perspective and the president demands this to happen.

BIS has taken several immediate steps to facilitate this reform including:

1. Establish three tiers within the Commerce Control List (CCL) and U.S. Munitions List (USML).
2. Establish screening procedures against the CCL and USML to create a clear and "bright" jurisdictional line.
3. Raise the USML to be more positive than broad in its approach.
4. Develop licensing policies for each of the three tiers.

Respondents representing all industries ranked each for the four principals of export control reform between 6.9 and 8.6 on a scale of 1 to 10 with 10 being the highest. This signifies that all industries recognize the need to improve the current process.

FIGURE 10: Which specific activities are critical to reform success?



333 total respondents

SINGLE CONTROL LIST

The first principal of export reform is the development of a single export control list. Currently, there are two lists that identify controlled hardware, software and technology, as well as lists that control people, entities and countries.

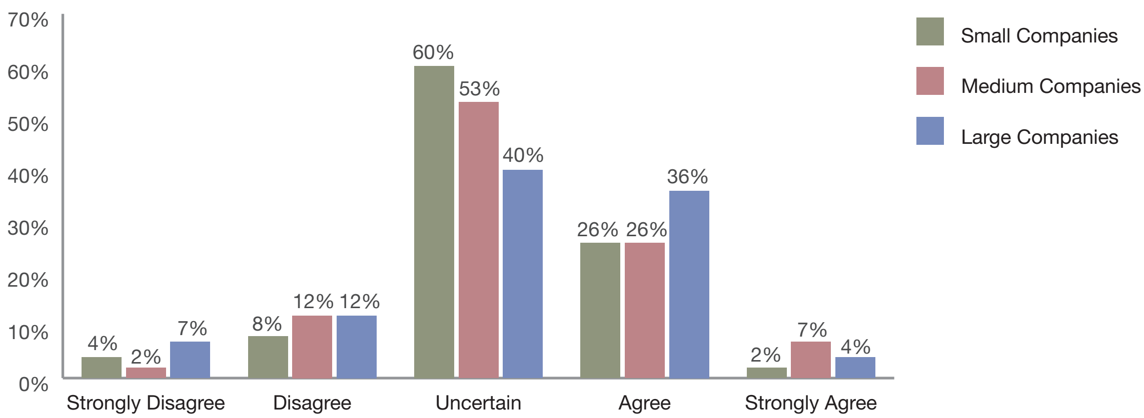
U.S. exporters must determine the commodity jurisdiction of their products, software and technology. If an item or service is either designed or modified for military application or contains a component listed on the U.S. Munitions List (USML), then the International Traffic in Arms Regulations (ITAR) controls the item. If the item or service is not defense related, then it is likely a “dual-use” commodity, technology or software which is controlled under the Commerce Control List (CCL) of the Export Administration Regulations (EAR). Currently, two agencies control the USML and CCL. They are the State and Commerce departments, and their approaches to defining controlled products are fundamentally different. Export reform proposes to create one three tiered list. This list would combine the USML and CCL, allowing greater transparency on which items require export licenses. The highest tier of this single control list will be the most sensitive items, those which provide a critical military or intelligence advantage to the United States and are available almost exclusively from the United States, or items that are considered weapons of mass destruction. The expectation is that all items in this highest tier would require a license. Items in the middle tier are less sensitive, i.e. those that provide a substantial military or intelligence advantage to the United States and are available almost exclusively from our multilateral partners and Allies. Items in the middle tier would have a general authorization or license exception to ship to our multilateral and allied partners. Items in the lowest tier are those that provide a significant military or intelligence advantage but are available more broadly. The expectation is that these items would not require a license and could eventually be decontrolled entirely.

A goal of this principle is to enable the government to focus on current threats and adapt to a changing economic and technological landscape. The plan to accomplish these tasks is to structure both the USMLand CCL as “positive lists.” A positive list describes controlled items using objective criteria (e.g.,technical parameters such as horsepower or microns) rather than broad, open-end, subjective, catch-all, or design intent-based criteria. Doing this will end most, if not all, jurisdictional disputes and ambiguities that have come to define our current system.

This survey asked respondents to rank the degree to which they agree or disagree with this statement:

"The development of a three tier list with the first tier being USML (highly sensitive multilateral EAR items), the second tier being multilateral list controls and the third list being the U.S. unilateral list will benefit my company." The response to this question was a relatively uniform bell curve with "uncertain" being the most selected response. Larger companies are marginally more likely to agree that the development of a three tier list will benefit their company.

FIGURE 11: "The development of a three tier list with… will benefit my company."

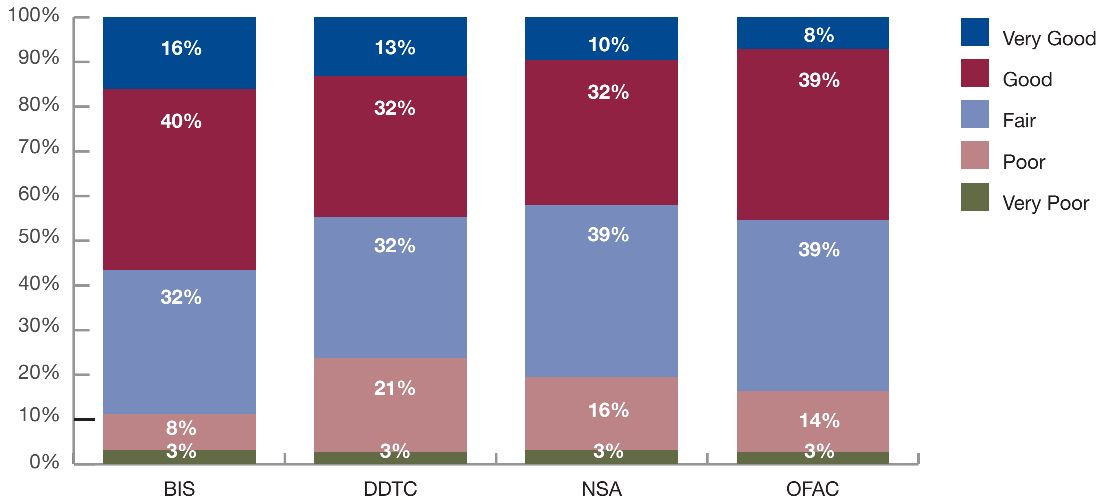


341 total respondents

Another issue a single control list will address is the multitude of entity/party lists that companies must check against. Many U.S. agencies have lists including the Bureau of Industry and Security, the Office of Foreign Assets Control and the State Department. These lists include denied parties and entities, unverified parties, embargoed and sanctioned countries, debarred parties, designated terrorist organizations, chemical and biological weapons, and arms embargos.

Our survey asked respondents to rank the effectiveness of the agencies in processing their license requests. The only agency that ranked over 50 percent for Good and Very Good was BIS at 58 percent. OFAC, DDTC and the NSA ranked as Good or Very Good 47, 45 and 42 percent respectively. All agencies received a 3 percent Very Poor ranking.

FIGURE 12: Effectiveness of Licensing Agencies



294 total respondents

SINGLE LICENSING AGENCY

Today, U.S. exporters follow different processes to determine the license requirements for exports of hardware, software and technology depending on the agency that controls the item or technology. Determining which agency to submit license applications and what to include in the application can be confusing. According to the president's export control review, "there are three different primary licensing agencies, each applying their own policies. None sees the others' licenses, and each operates under unique procedures and definitions, leading to gaps in the system and disparate licensing requirements for nearly identical products." The second principal of export reform will establish a single export licensing agency with jurisdiction over both defense articles and dual-use items and technologies.

By establishing a single licensing agency, the United States would significantly improve the license application process, streamline the review process and bring consistency to the license approval process. Today, the dual agency scheme has caused significant ambiguity, confusion and jurisdictional disputes, delaying clear license determinations for months and, in some cases, years.

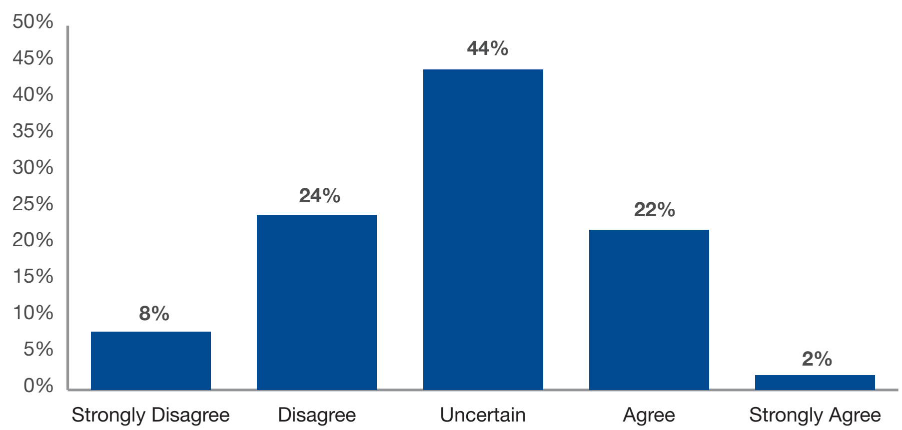
The plan is that the single licensing agency will encompass the Commerce Department (DoC), Defense Department (DoD), Defense Directorate of Trade Controls (DDTC) and the Office of Foreign Assets Control (OFAC). The reform effort has planned that "once a controlled item is placed into a tier, a corresponding licensing policy will be assigned to it to focus agency reviews on the most sensitive items. A license will generally be required for items in the highest tier to all destinations. Many of the items in the second tier will be authorized for export to multilateral partners and Allies under license exemptions or general authorizations. For less sensitive items, a license will not be required more broadly. For items authorized to be exported without licenses, there will be new controls imposed on the re-export of those items to prevent their diversion to unauthorized destinations. At the same time, the U.S. government will continue sanctions programs directed toward specific countries, such as Iran and Cuba."

SINGLE ENFORCEMENT COORDINATION AGENCY

Currently export control enforcement falls under several agencies—the Commerce Department's Office of Export Enforcement, the Department of Homeland Security's Immigration and Customs Enforcement and the Federal Bureau of Investigation. The third principal of export reform would create a single, integrated agency to enforce export controls. The objective of this third principle is to strengthen enforcement, particularly abroad, and enhance cooperation and coordination within the intelligence community.

Our survey posed the hypothetical question about whether moving the Office of Export Enforcement to Immigration and Customs Enforcement (ICE) is the right choice? Again, "uncertain" was the most popular answer although there are slightly more respondents who disagree rather than agree.

FIGURE 13: "Moving the Office of Export Enforcement to ICE is the right choice."



342 total respondents

Under the president's export reform program, agencies will focus and strengthen enforcement efforts, including building higher walls around the most sensitive items. There will be additional end-use assurances against diversion from foreign consignees, increased outreach and on-site visits domestically and abroad, and enhanced compliance and enforcement. The president plans to establish an Export Enforcement Coordination Center to coordinate and strengthen the U.S. government's enforcement efforts—and eliminate gaps and duplication—across all relevant departments and agencies.

SINGLE INFORMATION TECHNOLOGY SYSTEM

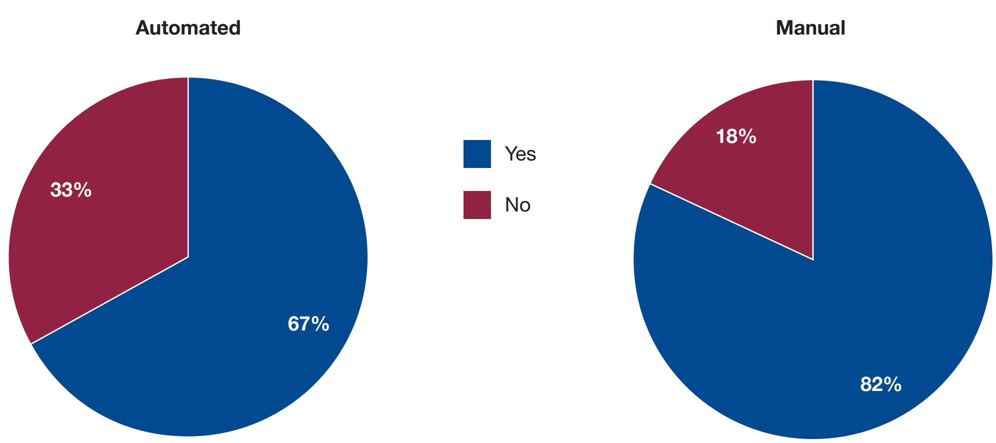
The fourth principle of export control reform is to develop a single, unified IT infrastructure that would receive, process and help screen new license applications and end-users in order to reduce redundancies. The president's export reform review identified that "all these agencies operate on a number of separate information technology (IT) systems, none of which is accessible to other licensing or enforcement agencies or easily compatible with the other systems, resulting in the U.S. Government not having the capability of knowing what it has approved for export and, more significantly, what it has denied."

The Defense Department is currently the benchmark since it's the only agency that has a shared database whereby they see the Defense Directorate of Trade Controls and Bureau of Industry and Security license applications. And, while it will take years to develop a single IT solution, the expectation is that license applications will continue to be filed through the Defense Directorate of Trade Controls D-Trade and the Bureau of Census SNAP-R systems.

THREE-PHASE APPROACH TO IMPLEMENTING EXPORT REFORM

The Obama administration has prepared a comprehensive, three-phase approach to export reform. The first phase immediately initiates specific reforms without legislation. The majority of survey respondents said this is the right approach. Of note, respondents who had automated export processes were more likely to response affirmatively.

FIGURE 14: Is the Administrations Approach to Reform the Right Approach?



317 total respondents

Analysis of the specific industries indicated that discrete manufacturers feel more strongly about this question than other industries.

Section III: National Export Initiative

CURRENT EXPORT REALITY CONTINUED

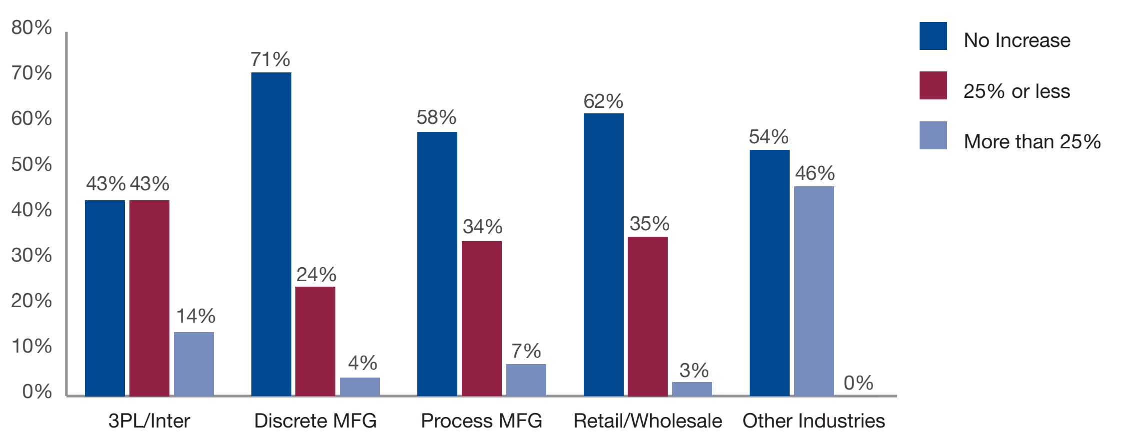
The National Export Initiative (NEI) is the Obama administration's program to improve conditions that directly affect the private sector's ability to export. The NEI will help meet the administration's goal of doubling exports over the next 5 years by working to remove trade barriers, helping firms—especially small businesses—overcome the hurdles to entering new export markets, assisting with financing, and in general pursuing a government-wide approach to export advocacy abroad, among other steps.

Our study clearly demonstrates that industry is far from convinced these programs can truly impact their business prospects. Fifty-six percent of respondents said the program would have no impact and another 36 percent believe they will see an increase of less than one quarter. No respondent supported the president's goal of a 100 percent increase.

Discrete manufacturers, who appear to wrestle with ITAR regulations, are the least optimistic with nearly 70 percent projecting no increase in volumes.

There is one caveat to keep in mind however. While there are many respondents to this survey, they tend to represent active exporters. The administration's NEI is certainly meant to support those exporters but it is broader than that in scope. The NEI is designed to help companies who may be new to exporting and the nature of this survey and its promotional vehicles do not allow for those parties to be surveyed thoroughly.

FIGURE 15: Expected Export Increase from NEI



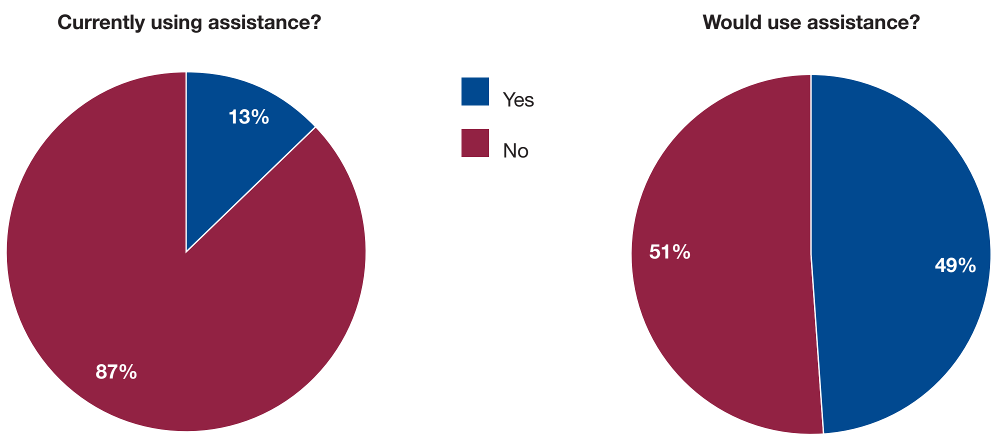
280 total respondents

FEDERAL PROGRAMS INEFFECTIVE, UNATTRACTIVE, OR MAYBE UNKNOWN

The president's National Export Initiative will provide more funding for export promotion and more coordination between government agencies, ensure that commercial advocacy objectives obtain government-wide support, and we advocate more effectively for U.S. products. It also includes the creation of an Export Promotion Cabinet to report to the president, which will consist of top leaders from the Commerce, State, and Agriculture departments, as well as officials from the Export-Import Bank, U.S. Trade Representative, and Small Business Administration; and increase focus on taking down barriers that prevent U.S. companies from attaining free and fair access to foreign markets.

Only 13 percent of survey respondents take advantage of federal export assistance programs. This can be interpreted as a lack or interest or perhaps awareness. What's more surprising is slightly less than half of the respondents say they would use assistance programs.

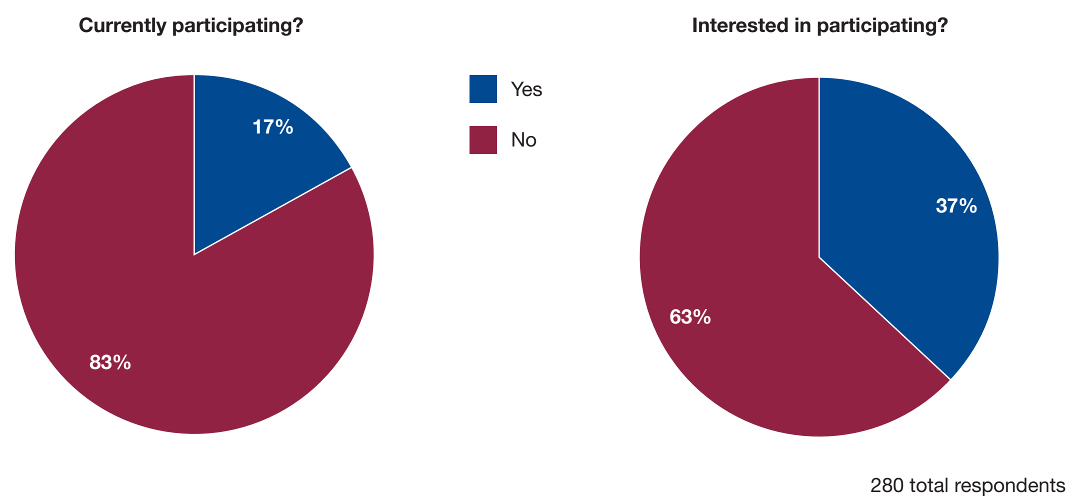
FIGURE 16: Federal Export Assistance



283 total respondents

Trade missions organized by the U.S. government appear just as uninteresting to survey participants. Only 17 percent report they would participate while just 37 percent say they are interested in these programs.

FIGURE 17: Trade Missions



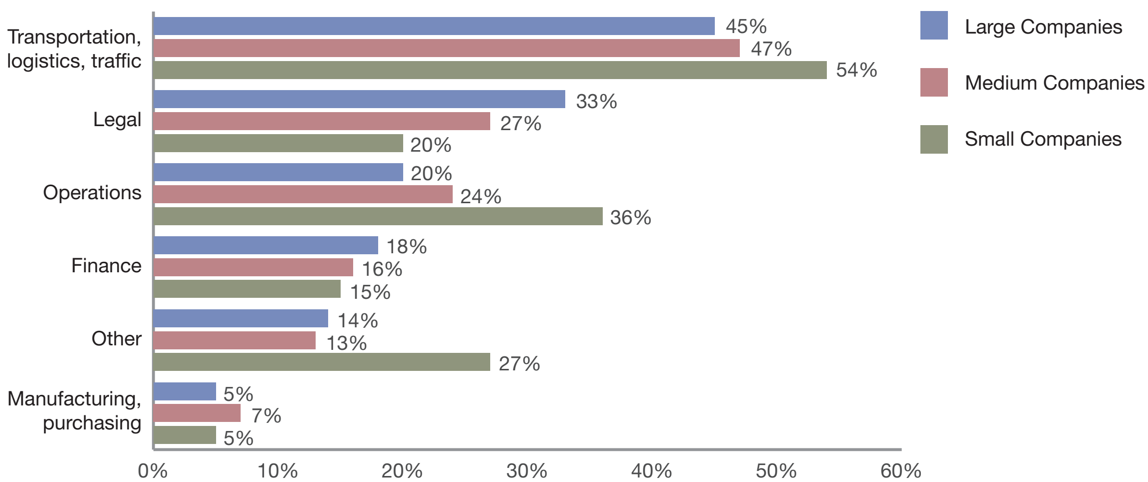
Section IV: Export Organizations & Best Practices

EXPORT MANAGEMENT ORGANIZATION

The survey queried exporters to gain insight into the best practices to which leading companies adhere. Several questions yielded results that were expected. For example, compliance is a transportation and logistics function in most firms but large companies also involve the legal department. Small exporters were far more likely to see compliance as an operational and transportation issue.

It is understandable that smaller firms with less legal resources would roll export management, including compliance, into the transportation group. However, organizations that rely on exports for a large percentage of their revenues or have high exposure to export penalties such as ITAR should include legal leadership in the chain of command regardless of company size.

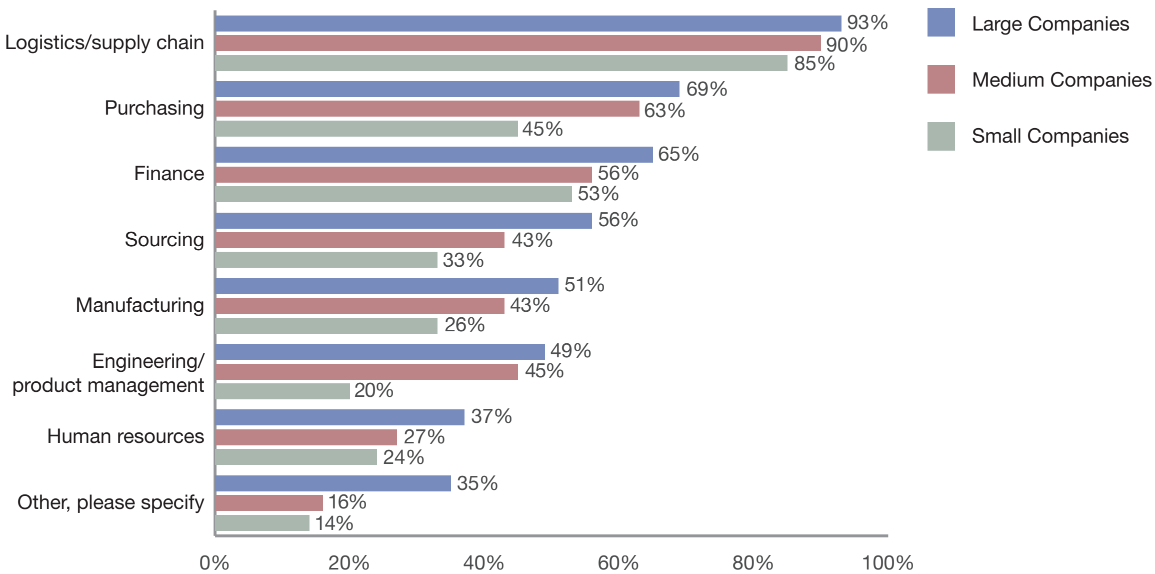
FIGURE 18: Export Compliance Reports To...



290 total respondents

The study also gauged the level of interactivity export management and compliance groups have with cross-functional teams. Other departments that respondents frequently meet with include sales, IT, executive management and R&D. Not surprisingly the leading department that export management interacts with is logistics/supply chain, closely followed by purchasing and finance. Larger companies tend to lead on cross functional interaction where small companies lagged.

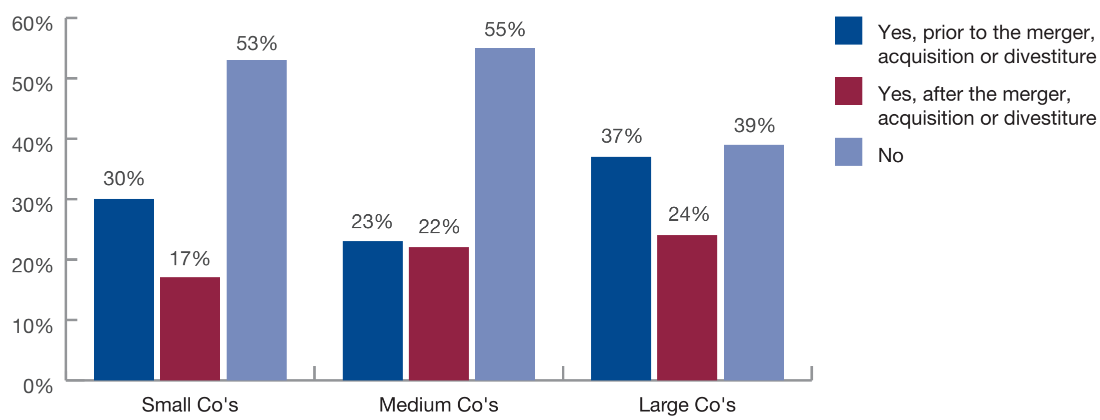
FIGURE 19: Which Teams Do You Frequently Meet With?



283 total respondents

Roughly half of survey respondents report that they are not included in strategic discussions within their companies regarding mergers, acquisitions and divestitures. It is surprising—or perhaps counterintuitive—how many larger companies involved their export managers before a strategic move. Inclusion of export management in these discussions is particularly important for firms that rely heavily on exports for revenue stream or are subject to strict export rules such as ITAR.

FIGURE 20: Inclusion In Strategic Discussions



285 total respondents

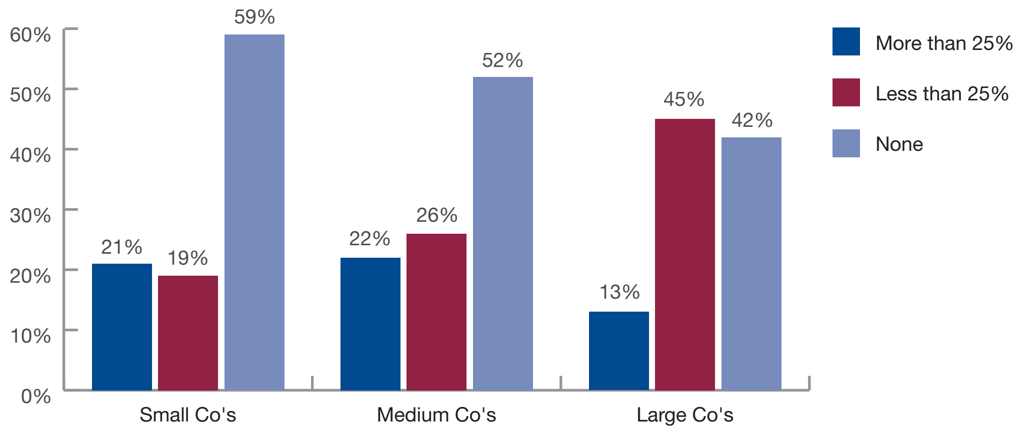
On average study respondents are employing about 9 full-time equivalent employees (FTE) to manage exports to nearly 40 countries. These exporters make an average of 15 BIS filings, 4 DDTC filings and a little more than one OFAC filing per year.

FIGURE 21: Export Productivity Index

Segment	Countries	FTE	BIS SNAP	DDTC	OFAC
Study Average	37.5	9.06	15.33	4.06	1.14
Discrete Manufacturing	33.6	4.24	6.75	2.89	0.25
Process Manufacturing	34.31	7.16	3.76	2.92	0.47
Retail/Wholesale	18.3	2.97	1	0.06	0.03
3PL/Intermediary	47.8	12.68	25.27	2.05	8
Other Industries	32.75	9.69	17.95	13.31	0.29

Outsourcing clearly lacks traction in the export management function, but it is more common in larger firms. Roughly one half of all respondents report that they do not outsource any piece of this function and a further 31 percent outsource less than one quarter of their operation. Nearly 60 percent of small companies do not outsource. More than 40 percent of large companies outsource one quarter or less.

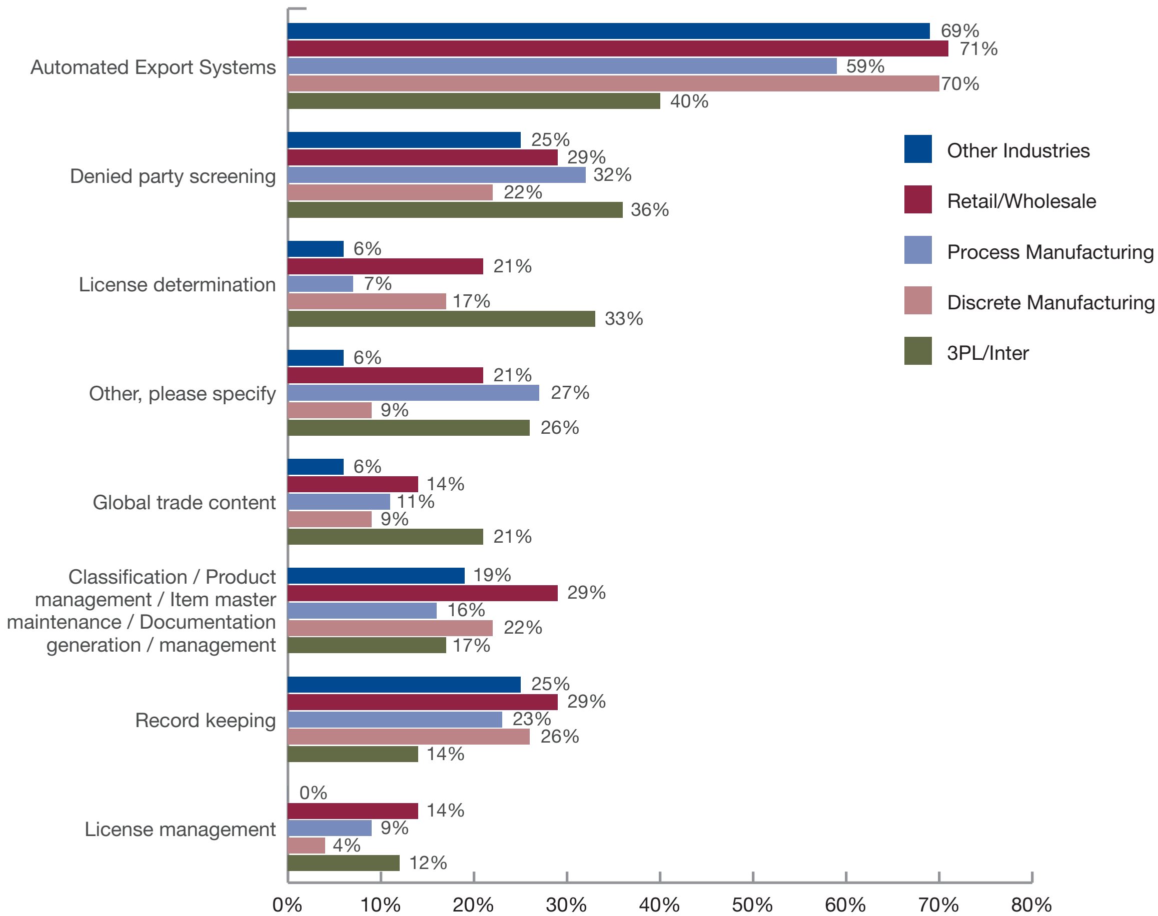
FIGURE 21: Compliance Activity Outsourced



286 total respondents

Among companies that outsource, all industries lean toward outsourcing Automated Export System (AES) Electronic Export Invoice (EEI) filings. Overall denied party screening is a distant second, although it is considerably more important—and prevalent among the 3PL/Intermediary segment.

FIGURE 22: Functions Outsourced



286 total respondents

Section V: Export Management Technology

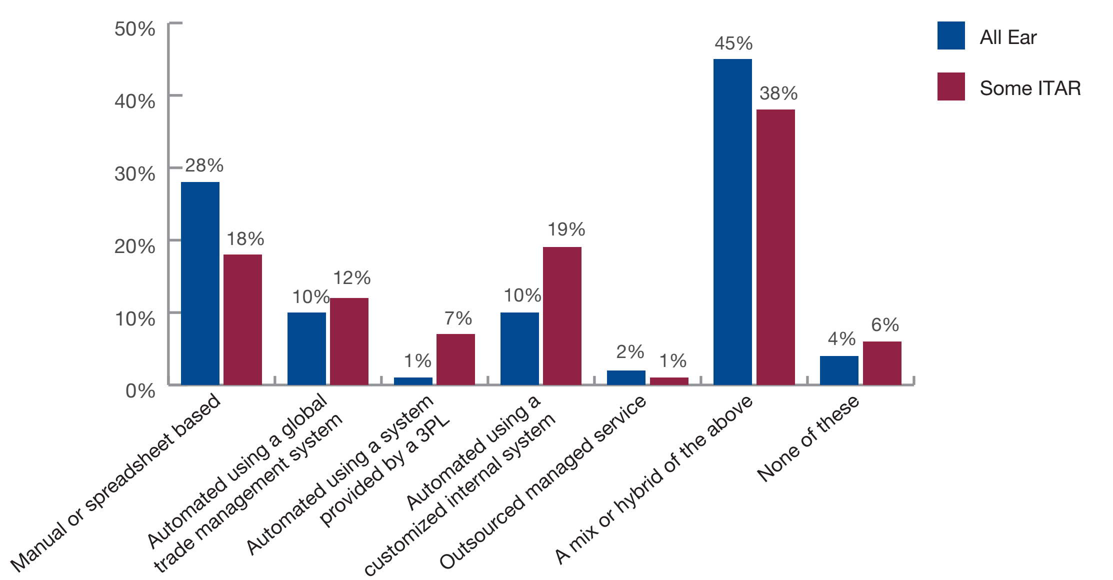
SYSTEMS ADOPTION RATE

There may be some surprise to see that only 23 percent of survey respondents categorize their export management platform as entirely manual or spreadsheet-based. Another 41 percent of these exporters use a platform they consider a mix or hybrid approach to managing this function.

In general the market for global trade and export management systems is extremely fragmented. There is no one system that suits all. Rather there are many systems that tackle specific tasks (or even just one task) that need to be tied together. It's not hard to imagine that exporters using a hybrid platform may have one system for one task such as denied party screening and the rest of the process is manual. So in many ways these exporters operating on a hybrid platform are not so far ahead of those working with spreadsheets.

Systems investments are clearly impacted by the nature of the exporter's product. Companies whose products are subject ITAR regulations are noticeably more likely to leverage a system of some sort and considerably less interested in a manual or hybrid approach.

FIGURE 23: Current Export Management Platform



276 total respondents

THE CASE FOR AUTOMATION

Survey respondents were asked to provide information about the size of their export network, the number of regulatory licenses and filing their business requires (BIS, DDTC and OFAC filings) and the headcount (FTE or fulltime equivalent) assigned to managing exports.

Clearly companies who are leveraging technology are managing larger, more complex supply chains which support the conclusion that technology provides operational scale. However, it is somewhat surprising to see that companies which automate export management actually have more FTE assigned to the task but there is a good explanation. A systems-based platform allows companies to share export management with more teams. These systems don't require more labor; rather they engage more people in the process. Also, the study results show that automated exporters manage a higher volume of exports than their manual-based counterparts. Roughly two-thirds of automated exporters report that a quarter of company revenues or more come from export business, whereas manual exporters report the exact opposite. Two-thirds of manual exporters report less than 25 percent of revenue comes from export activities.

Shippers that use technology to automate their export operations manage twice as many DDTC filings per year than those who do not. These filings are required to manage a product governed by ITAR.

FIGURE 24: Export Productivity Index

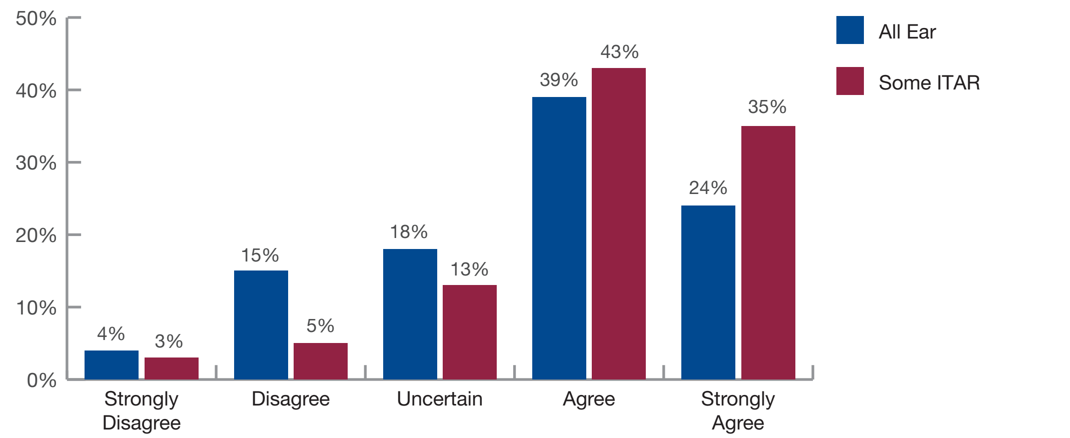
Industry	Countries	FTE	BIS SNAP/YR	DDTC/YR	OFAC/YR
Manual excluding 3PL	16.77	2.29	4.02	1.07	0.07
Automated excluding 3PL	36.8	7.36	4.22	2.59	0.37
3PL	47.8	12.68	25.27	2.05	8

Survey respondents consider export systems a strategic investment by a very convincing margin. Roughly 70 percent of respondents agree or strongly agree that this is the case.

Again the argument for systems investments becomes even clearer when products governed by ITAR come into play. Nearly 80 percent of ITAR exporters agree or strongly agree, whereas only 8 percent disagree to any extent.

This makes good sense. The increased scrutiny of ITAR regulations and the severity of the penalties levied for violations make systems a necessity rather than a luxury.

FIGURE 25: "Export Management Systems are a Strategic Investment."

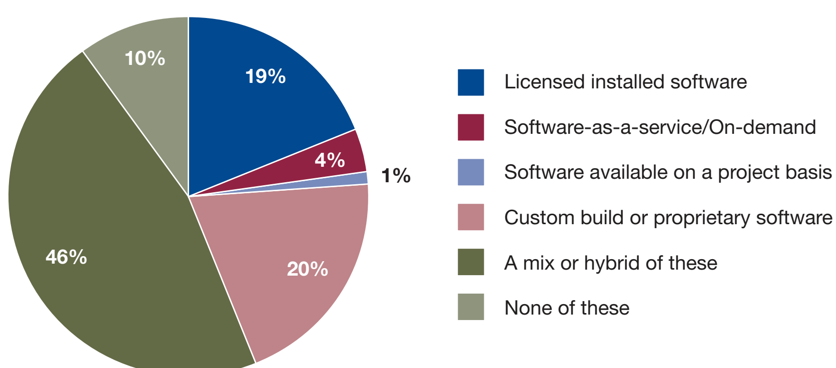


277 total respondents

DELIVERY MODEL & FUNCTIONALITY

It is surprising to see how little traction software as a service (SaaS) has in this market considering that other global trade functions are widely seen as a natural fit for that model. Only four percent of respondents characterize their export system as a SaaS product, while nearly 40 percent of systems are on-premise, either licensed or custom built.

FIGURE 26: Delivery Model



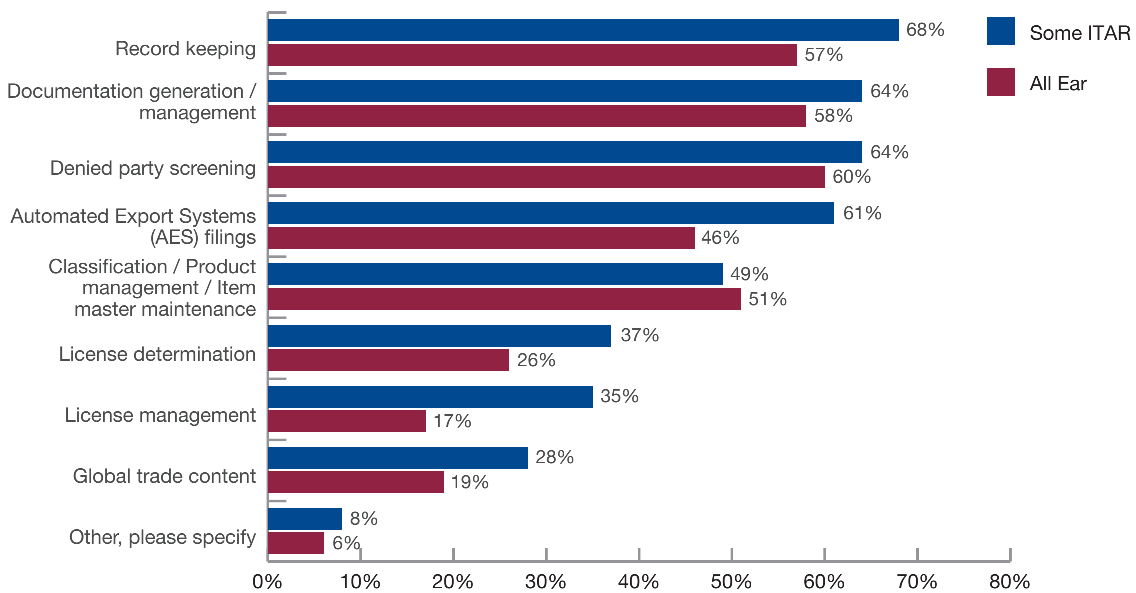
192 total respondents

Overall the functionality delivered by these systems is fairly basic. Record keeping, documentation, and filing functions show up at the top.

Company size dictates the importance of the functionality. Large companies leverage denied party screening (81 percent) whereas small companies use AES filing (67 percent) and record keeping (75 percent). Bear in mind the small companies included in this survey are more likely to be 3PLs and intermediaries.

Companies that manage ITAR regulations demand more from their systems. Licensing determination and management functionality is dramatically more important to ITAR exporters than those who solely deal with EAR.

FIGURE 27: System Functionality



254 total respondents

Section VI: A Message to the President

It is clear from the data collected in our benchmark study that the jury is still out on export reform. The key principals and concepts offered by the president's export reform plan could offer relief to U.S. companies who constantly have to deal with their own government's ambiguous and confusing regulations. But repeatedly respondents were "uncertain" of the value of many of the principals espoused by the White House.

It is obvious that the president understands the need to improve export controls to protect U.S. competitiveness in key U.S. manufacturing and technology sectors. The drivers behind this initiative are to provide more transparency for exporters and coordinate enforcement resources into one agency, while at the same time strengthening the enforcement of U.S. national security. The most powerful solution will not develop in a vacuum. It is essential that industry be included in any reform discussions with the "technical experts" from the key agencies chartered with making this reform happen. We applaud BIS Undersecretary Eric Hirschhorn and Assistant Secretary of Export Administration Kevin Wolfe's extensive industry experience and are encouraged by their appointments. Government agency collaboration with the key industries it regulates has resulted in stronger, more successful regulations and policies as exemplified by the Importer Security Filing process undertaken by the Homeland Security Department's Customs and Border Protection.

It is clear that it's now the time for the U.S. government to reach out to its partners in industry and leverage the tremendous amount of practical experience the trade brings to the table. The trade can help reform U.S. export control into an effective system that protects our national security, military and furthers U.S. competitiveness abroad.

Lastly, time is of the essence. Industry needs these reforms to be competitive in today's global market. It is essential that legislation be passed this year to fix our current broken state of affairs.

Section VII: How to Use This Study

MEASURE YOUR ORGANIZATION AGAINST THIS BENCHMARK

Readers should review the information presented in this study carefully and at each section ask themselves:

- How would I have answered these questions?
- Where would my answers place my organization? Am I in-line with my piers?
- What steps can I take to educate my organization on the issues impacting exporters today?

PARTICIPATE IN THE REFORM PROCESS

It is essential that you represent your company and industry during the export reform process. You and your senior management should communicate to the agencies chartered with reform, the White House and Congress to make sure that they understand the best path forward for reform. The government assures us that they intend to reach out to the trade on this issue and you should be prepared to participate. Additionally, your trade associations are not waiting for an invitation to provide an opinion, they are advocating on your behalf on a regular basis with the agencies.

BEST PRACTICE TAKE-AWAYS

Based on the survey results and subsequent analysis, *American Shipper* and BPE suggest exporters take the following steps to align their export practices with best-in-class operations:

- Share the president's remarks on these new efforts to reform export controls with your senior management.
- Export management and related compliance functions should have accountability to legal in addition to the transportation and operations departments they traditionally report to.
- Participate in your trade association export committees and prepare comments on the reform activity to date.

- Plan on joining industry working groups convened by the government agencies chartered with reform, as well as those formed by your trade associations.
- Investigate federal export assistance programs and trade missions organized by the government. These may be more useful than you think and the study shows your competitors are not taking advantage of them either.
- Establish a global trade strategy and ensure that you frequently meet with key departments within your company including transportation/logistics, legal, operations, finance, manufacturing/purchasing, IT, and sales
- All exporters should consider a systems-based management platform but particularly those subject to ITAR regulations.
- Exporters servicing a large network of destinations should consider technology as a tool to manage complexity.

APPRISE SENIOR MANAGEMENT

This report is designed to strengthen your voice within your organization. Use this benchmark report to raise awareness of export reform, the NEI and emerging best practices. Forward this report to your managers with your comments and notes attached. Show them where your organization falls against the study average, and how your company stacks up against others from your market segment. Point up recommendations based on best practices and rally support for your initiatives. Export reform is only starting and it's crucial that your organization understands the potential impacts and opportunities it presents.

Section VIII: Index

- View the Executive Order 13534 on the National Export Initiative
- White House Press Release—President Obama Lays the Foundation for a New Export Control System To Strengthen National Security and the Competitiveness of Key U.S. Manufacturing and Technology Sectors—August 30, 2010
- President Obama's Remarks to the BIS Update Conference on New Efforts to Reform Export Controls
- Secretary Gary Locke Remarks to BIS Update Conference Tuesday, August 31, 2010 Grand Hyatt, Washington D.C.
- Bureau of Industry and Security U.S. Department of Commerce Remarks of Eric L. Hirschhorn, Under Secretary for Industry and Security—BIS Annual Update Conference August 31, 2010
- Assistant Secretary Kevin Wolf's Remarks Update Conference on Export Controls and Policy—August 31, 2010

Appendix A: About Our Sponsors

INTEGRATION POINT

A leading provider of global trade management solutions, Integration Point, Inc. assists clients by providing import/export capabilities globally, delivering up-to-date global regulatory information and facilitating connectivity to supply chain partners and government agencies around the world. Built on a single, web-based platform, Integration Point allows organizations to comply with regulations while improving visibility and realizing savings opportunities. The Integration Point suite of products includes solutions for: import/export management, supply chain security, entry validation, restricted party screening, product classification, free trade agreement qualification and duty deferral program management (US FTZ, Mexico Maquiladora, EU Customs Warehousing, etc.) Visit www.IntegrationPoint.com or call 704-576-3678.

KEWILL DELIVERS SOLUTIONS THAT SIMPLIFY GLOBAL TRADE AND LOGISTICS.

Global businesses face ever increasing complexity across their supply chains including decisions on sourcing, customs, compliance, transportation, storage, finance, visibility and connectivity. Inefficiency in any of these areas will lead to supply chain delays and result in increased costs. Kewill has a suite of software solutions that significantly simplify the management of the most complex global supply chains for enterprises and logistics service providers.

With over 35 years experience in global trade management and logistics, and over 600 employees worldwide, Kewill is a long-time innovator of solutions for manufacturers, distributors, retailers, freight forwarders, transport companies, customs brokers, 3PLs and 4PLs, as well as other related institutions involved in financing and underwriting global trade such as banks and insurance providers.

Kewill's solutions are in daily use by more than 40,000 users worldwide and our global customer base which entrusts us with the management of their supply networks includes divisions of Bayer, Caterpillar, DHL, FedEx, Ford, General Electric, General Motors, H.J. Heinz, Kimberley-Clark, Kraft, Levi Strauss, Mazda, Nestlé, Nike, Palm, Procter & Gamble, Smith & Nephew, Sony, TNT, Unilever, UPS, Vodafone, Yamaha, Xerox. Learn more at www.kewill.com.

Appendix A: About Our Sponsors—*continued*

SAP

Our vision is for companies of all sizes to become best-run businesses. In today's challenging business environment, best-run companies have clarity across all aspects of their business, which allows them to act quickly with increased insight, efficiency, and flexibility. By using SAP solutions, companies of all sizes – including small businesses and midsize companies—can reduce costs, optimize performance, and gain the insight and agility needed to close the gap between strategy and execution. To help our customers get the most out of their IT investments so that they can maximize their business performance, our professionals deliver the highest level of service and support.

Appendix B: About Our Partners

AMERICAN ASSOCIATION OF EXPORTS & IMPORTERS (AAEI)

AAEI has been a national voice for the international trade community in the United States since 1921. Our unique role in representing the trade community is driven by our broad base of members, including manufacturers, importers, exporters, wholesalers, retailers and service providers including brokers, freight forwarders, trade advisors, insurers, security providers, transportation interests and ports. Many of these enterprises are small businesses seeking to export to foreign markets. With promotion of fair and open trade policy and practice at its core, AAEI speaks to international trade, supply chain, security, export controls, non-tariff barriers, import safety and Customs and Border Protection issues covering the expanse of legal, technical and policy-driven concerns.

BPE

BPE is a global trade compliance consulting and training firm with more than 40 years combined experience in global trade and logistics. This expertise brings deep regulatory understanding of global compliance operations and practical knowledge of supply chain management and logistics. BPE has developed commercial global trade management and logistics technology solutions. And BPE is recognized as a leader in training and education. BPE also brings experience as licensed customs brokers and leaders of trade associations. BPE shares its knowledge and skills as Trade Ambassador to the U.S. Customs and Border Protection service. BPE's customers range from start-ups to Fortune 500 companies. BPE's headquarters are in San Francisco, Calif. To learn more about BPE, call (877) 264-3836, e-mail beth@bpeglobal.com or visit www.bpeglobal.com.

INTERNATIONAL COMPLIANCE PROFESSIONALS ASSOCIATION (ICPA)

ICPA was established by Ann Lister and Lynda Westerfield to serve the needs of international trade compliance professionals. It has grown from an informal e-mail list into an organization of more than 1,000 members. By joining ICPA you can have access to and take part in the most vital discussions surrounding international trade today. You can ensure that your views are known to government and industry partners whose policies affect your bottom line. ICPA's mission is to:

- Disseminate information relevant to import/export and other international trade related matters.
- Facilitate networking opportunities among the membership body.
- Facilitate career opportunities and development.
- Monitor and participate in international trade issues and trends with a goal to potentially affect change and influence policy development in the global trade arena, either directly or in conjunction with other international trade organizations.
- Provide education and training, which may include wholly sponsored programs or programs in conjunction with other appropriate organizations.

American Shipper