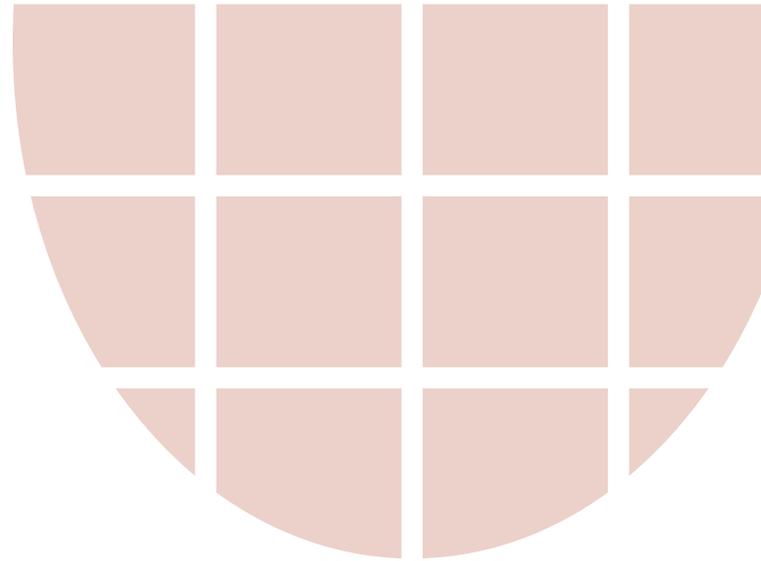# Import Operations and Compliance Benchmark Study: Risky Business

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Executive Summary

American Shipper and BPE designed this study to provide readers with a greater understanding of the trends and issues impacting U.S. import operations and compliance managers.

In March 2011, more than 450 qualified respondents participated in a 34-question benchmarking survey covering organizational structure, responsibilities, policies, costs, technology and more. The following study results are shown in aggregate form and segmented to draw interesting comparisons and ultimately call out actionable best practices.

Structure

More than two-thirds of respondents indicate that the import compliance team reports to the supply chain group. Compare that to 78 percent of respondents who say that their import operations report to supply chain. While it is valuable to supply chain efficiency to structure an organization to leverage skills specific to the operations side of importing, it is often less effective to position the compliance function under the operations teams.

Not surprisingly most import operations report to supply chain/operations. This is exactly where this function should be. It enables companies to provide the global trade expertise to operations without compromising the company's policies and procedures.

Policy

An average of 69 percent of respondents said trade policies were managed by the operations or supply chain organizations. This simple statistic suggests a negative impact in day-to-day procedures as well as the company position in case of an audit or inquiry.

Decentralizing trade policies and relocating policy management to discrete operations or supply chain functions suggests there are separate policies for each corporate business unit. This creates a real risk as departments can have disparate or even contradictory policies. In the case of an audit, discrepancies in documentation as well as the lack of a standard policy implementation plan opens the door to agencies to identify variances in company practices and gaps in compliance.

| Productivity | Systems-based importers average a higher number of full-time equivalents (FTE) employees for their import operations than manual-based organizations. Systems-based importers also have nearly three times as many customs entries per year from more than twice as many origins. These importers leverage systems to manage complexity as well as increase productivity. |

Productivity

Systems-based importers average a higher number of full-time equivalents (FTE) employees for their import operations than manual-based organizations. Systems-based importers also have nearly three times as many customs entries per year from more than twice as many origins. These importers leverage systems to manage complexity as well as increase productivity.

Not surprisingly, third-party logistics providers average a significantly higher average number of FTEs due to the nature of their operations. These firms act as an import operation and/or compliance group for many manufacturers, retailers and other shippers. In the process, they take on headcount that would otherwise exist at the customer.

The vast majority of importers outsource their customs brokerage activities. Manual-based importers were the highest average outsourcers, while 13 percent of systems-based importers were self-filers.

Filing and Reconciliation

Most companies file formal entries. Large and medium-size companies file an average of 95 percent, while small companies file 77 percent. This lower number indicates undervaluation and failures to declare assets.

Large companies file reconciliation more often than medium-size companies and no small company files reconciliation. Remarkably, reconciliation is still a highly manual process with 23 percent of systems-based companies filing reconciliation compared to 20 percent of manual-based companies.

Duty Avoidance Programs

Free trade agreements are the most utilized duty avoidance programs at 61 percent of the average. American goods returned were next at 41 percent, followed by duty drawback programs with 36 percent. Twenty-four percent of companies use in-bonds and only 17 percent of companies utilize Carnets. Other types of duty avoidance programs that were reported include free trade zones, "first sale" valuation, and duty minimization legislation.

Costs

The vast majority of respondents pay less than $100 per entry filing, with 93 percent of respondents paying less than $150 per entry. Less than 6 percent of all respondents paid $200 or more. Factors that increase companies' entry filing costs include number of lines, government agency reviews, reconciliation, and duty avoidance programs.

Forty percent of respondents report their companies spend less than $50,000 per year on import compliance. The scary part is that this includes all costs for automation (hardware and software), education, training, services and consultants. Only 23 percent spend $100,000 to $500,000, and more than half of these are manufacturers.

Technology

Forty percent of respondents utilized manual/spreadsheet-based processes to manage their import operations and compliance, while another 40 percent have some form of automation. The remainder outsources this function to 3PLs or other service providers.

Seventy-nine percent of these respondents said they use systems to perform classification, while 59 percent use solutions to Importer Security Filings. Import operations have not changed much over the years and tend to remain fairly manual.

As usual, cost reduction leads the list of drivers to adopt technology. Risk mitigation, a key benefit of any global trade technology, ranks a close second. Complexity comes up surprisingly low considering how clear it is (See Figure 7) that import management and compliance systems enable companies to manage large, complex sourcing networks.

CBP Update

U.S. Customs and Border Protection said at its April Trade Symposium that it will move away from its policy of mitigation of penalties. CBP has received mitigated penalties of just 3 percent of the total penalty notices issued. Given the lack of investment in compliance and abundance of manual processes, this announcement poses a significant risk to importers. As the risk of exposure to penalties increases, investment in customs compliance must also increase.

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Figures

Section I: Introduction

American Shipper and BPE designed this study to provide readers with a greater understanding of the trends and issues impacting U.S. import operations and compliance managers. In March 2011, more than 450 qualified respondents participated in a 34-question benchmarking survey that covered organizational structure, responsibilities, policies, costs, technology and more. The following study results are shown in aggregate form and segmented to draw interesting comparisons and ultimately call out actionable best practices.

It is important to understand that this study exclusively addresses issues related to importing goods into the United States. Certainly there are many findings in this study that are universal in nature but trade issues and regulations do vary from country-to-country.

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.

LSP/3PL

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

Systems-based vs. Manual

Many of the data points illustrated in these pages break down the differences between companies that use a systems-based approach to import management versus those that manually handle this process. In this context, "automated" or "systems-based" companies employ at least one application to support their import function. "Automated" does not mean human interaction has been entirely eliminated. Likewise, "manual" does not mean these firms do not use e-mail, fax and other technologies. There is an assumption that basic computing power is ubiquitous in the logistics management field.

ISF

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

DEMOGRAPHICS

Survey respondents come from all major industries involved in importing goods, including retail/wholesale, manufacturing (both process and discrete), and 3PL/intermediary.

Survey participants represent companies of all sizes, but those from larger enterprises of $1 billion or more in annual sales are heavily represented.

FIGURE 1: Industry Segments Surveyed

- Process Manufacturing
- Retail/Wholesale
- 3PL/Forwarder/Intermediary
- Discrete Manufacturing
- Raw Materials/Commodities
- Engineering/Construction
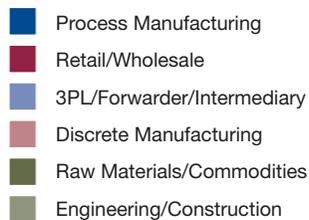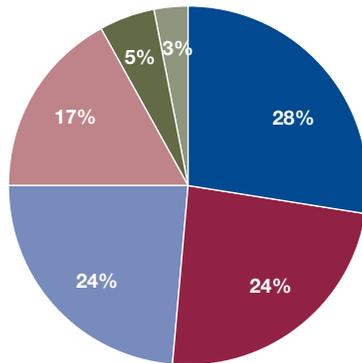
454 total respondents

FIGURE 2: Company Size Surveyed

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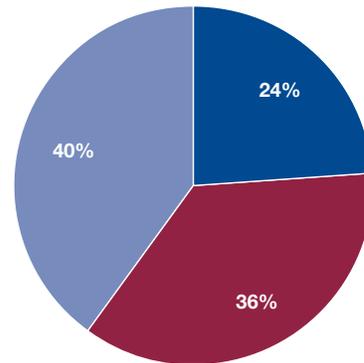
336 total respondents

Section II: Structure and Policies

Survey respondents were asked to identify who is responsible for a central function/department managing import-related policies and to which organization(s) the import operations and compliance teams report.

FIGURE 3: Import Compliance Reports To
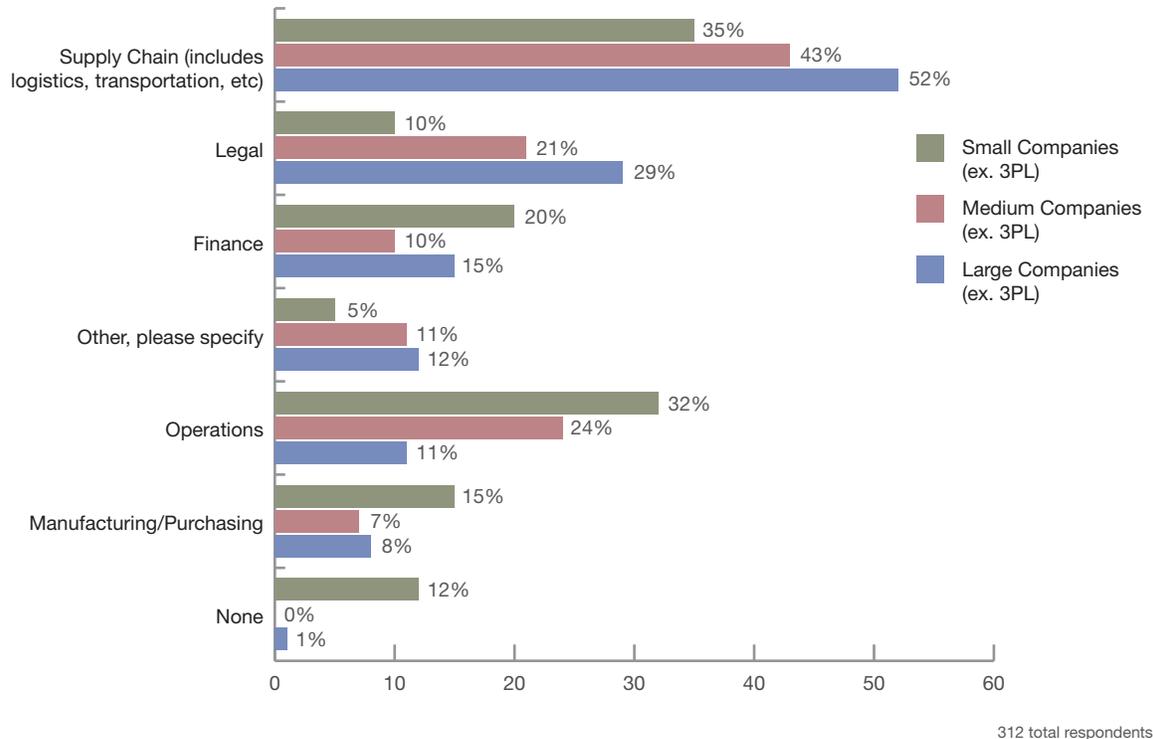
Supply Chain (includes logistics, transportation, etc)
- Small: 35%
- Medium: 43%
- Large: 52%

Legal
- Small: 10%
- Medium: 21%
- Large: 29%

Finance
- Small: 20%
- Medium: 10%
- Large: 15%

Other, please specify
- Small: 5%
- Medium: 11%
- Large: 12%

Operations
- Small: 32%
- Medium: 24%
- Large: 11%

Manufacturing/Purchasing
- Small: 15%
- Medium: 7%
- Large: 8%

None
- Small: 12%
- Medium: 0%
- Large: 1%

Legend:
- Small Companies (ex. 3PL)
- Medium Companies (ex. 3PL)
- Large Companies (ex. 3PL)

312 total respondents

More than two-thirds of respondents indicate that the import compliance team reports to the supply chain group. Compare that to 78 percent of respondents who say that their import operations report to supply chain. While it is valuable to supply chain efficiency to structure an organization to leverage skills specific to the operations side of importing, it is often less effective to position the compliance function under the operations teams.

It is surprising that over two-thirds of respondents function in an environment where import compliance reports to supply chain as this could easily pose a conflict of interest. A compliance team is generally designed to be objective and unbiased in ensuring a company meets its customs compliance obligations. However if the compliance team is preoccupied with supply chain concerns, such as turnaround time and customer fulfillment, then the primary focus on compliance with global customs regulations may become blurred. Less than one-third of respondents indicated that the finance or legal functions in their companies oversee the compliance team. This is the preferred—if not the overtly recommended—reporting structure by customs authorities worldwide.

Not surprisingly the majority of import operations reports to supply chain/operations. This is exactly where this function should be. It enables companies to provide the global trade expertise to operations without compromising the company's policies and procedures.

FIGURE 4: Import Operations Reports To
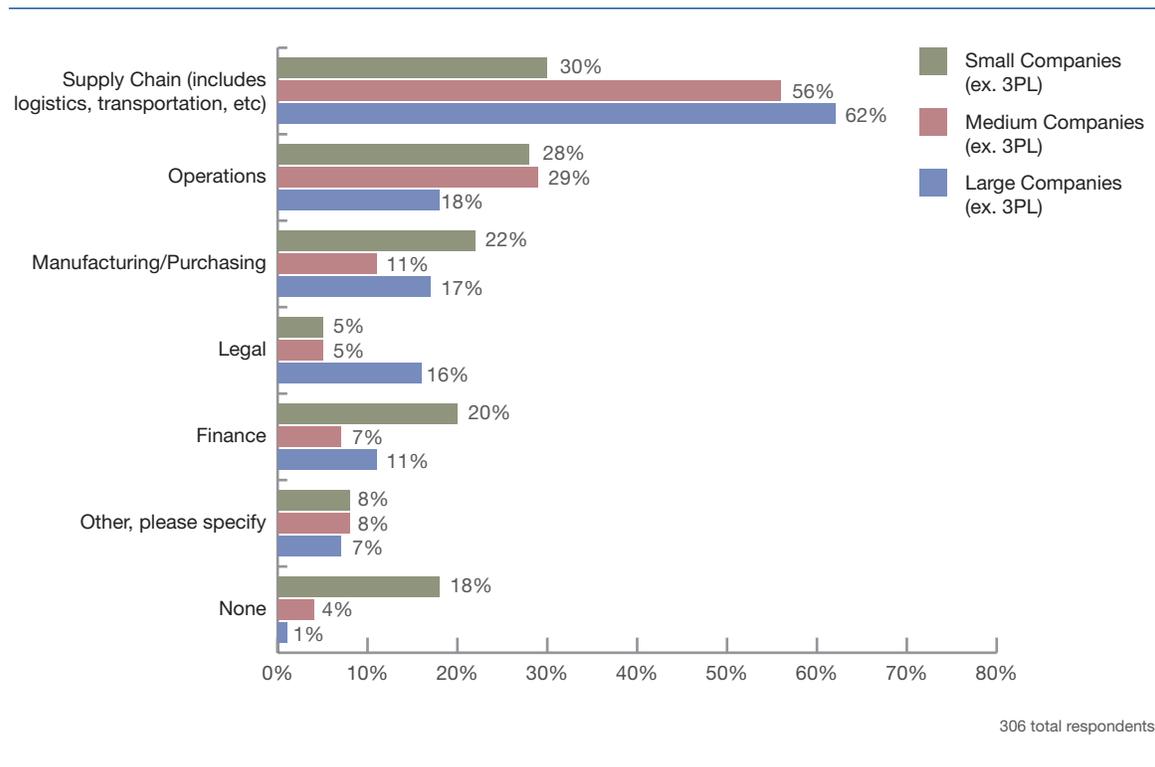
306 total respondents
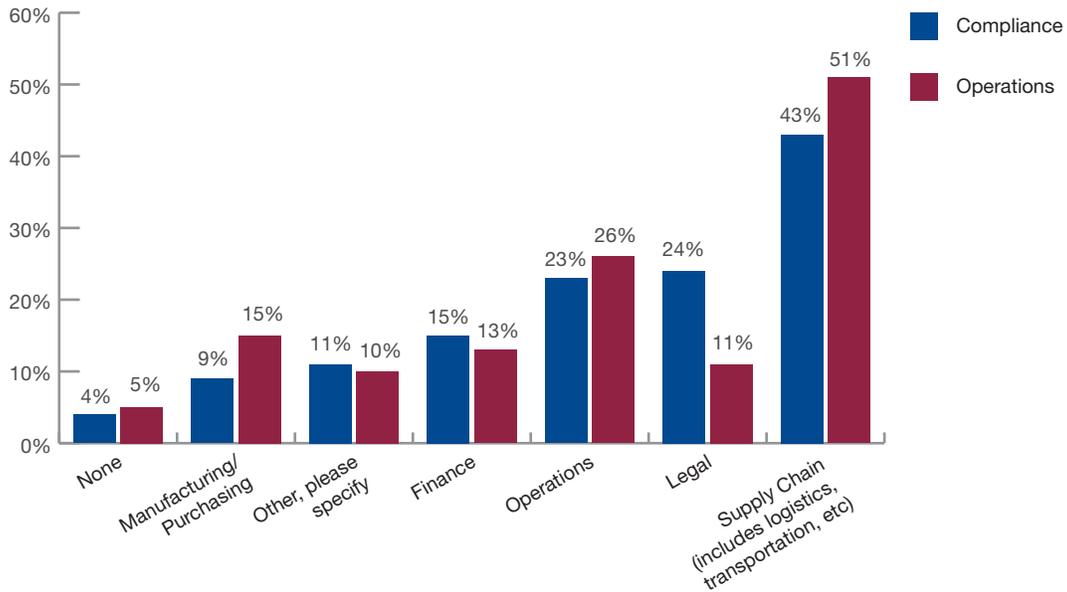
An average of 69 percent of respondents state that trade policies were managed by the operations or supply chain organizations. This simple statistic suggests a negative impact in day-to-day procedures as well as the company position in case of an audit or inquiry.

Decentralizing trade policies and relocating policy management to the operations or supply chain functions suggests that there are separate policies for each corporate business unit. This creates a real risk as departments can have disparate or even contradictory policies. In the case of an audit, discrepancies in documentation as well the lack of a standard policy implementation plan opens the door to agencies to identify variances in company practices and gaps in compliance.

7

SECTION II: STRUCTURE AND POLICIES

In reviewing the statistics for this question, alongside the questions covering reporting structure of import compliance and import operations departments, it is clear that in a majority of companies the strategic focus of compliance is lost to the organization. Without an unbiased compliance team in place to train and enforce import policies, government officials have even more reason to suggest that compliance obligations may slip in favor of increased turnaround time or cost savings opportunities. The organization, meanwhile, risks positioning compliance as a business hurdle rather than a lever to help companies succeed and grow.

FIGURE 6: **Who Manages Import Policies?**

Legend:
- 3PL/Intermediary
- Other Shippers
- Process Manufacturing
- Discrete Manufacturing
- Retail

Supply Chain (includes logistics, transportation, etc)
- 3PL/Intermediary: 26%
- Other Shippers: 62%
- Process Manufacturing: 50%
- Discrete Manufacturing: 56%
- Retail: 50%

Operations
- 3PL/Intermediary: 58%
- Other Shippers: 15%
- Process Manufacturing: 17%
- Discrete Manufacturing: 8%
- Retail: 24%

Manufacturing/Purchasing
- 3PL/Intermediary: 5%
- Other Shippers: 0%
- Process Manufacturing: 5%
- Discrete Manufacturing: 7%
- Retail: 14%

Other, please specify
- 3PL/Intermediary: 21%
- Other Shippers: 15%
- Process Manufacturing: 15%
- Discrete Manufacturing: 7%
- Retail: 13%

Legal
- 3PL/Intermediary: 11%
- Other Shippers: 15%
- Process Manufacturing: 24%
- Discrete Manufacturing: 25%
- Retail: 10%

Finance
- 3PL/Intermediary: 6%
- Other Shippers: 4%
- Process Manufacturing: 14%
- Discrete Manufacturing: 12%
- Retail: 10%

N/A—We do not have a central function or department for this purpose
- 3PL/Intermediary: 6%
- Other Shippers: 4%
- Process Manufacturing: 0%
- Discrete Manufacturing: 6%
- Retail: 3%

360 total respondents

Section III: Import Operations

Third party logistics providers (3PL) score the highest average number of import origins with more than 50, while the retail segment imports from the lowest number of origins—an average of 14. The highly competitive and regulated retail industry may have a lower number of origins to ensure control over its supply chain and minimize the high cost of changing origins.

Companies that take a systems-based approach to managing import operations and compliance source from more than twice as many origins as their manual-based counterparts.

The number of customs brokers for retail/wholesale, discrete manufacturing and process manufacturing averaged three brokers. Customs and Border Protection (CBP) recognizes having a low number of customs brokers as a Customs-Trade Partnership Against Terrorism (C-TPAT) and Importer Self-Assessment (ISA) program best practice. While a small number of brokers enables control and visibility, it does not guarantee compliant operations. As expected, 3PLs/intermediaries average more (five brokers) because they service multiple importers and are most likely required to use their customer's broker(s) while handling their freight.

Discrete manufacturers average 78 and 66 percent more entries than their retail/wholesale and process manufacturing peers respectively. Discrete manufacturers create finished products that have many customers requiring products built to specification. Conversely, process manufacturing relies on mixing and combining ingredients that cannot be stripped down to the piece/part level. 3PLs have almost 42,000 entries per year and systems-based importers have nearly three-times as many entries per year over manual-based importers.

FIGURE 7: Importer's Productivity Index

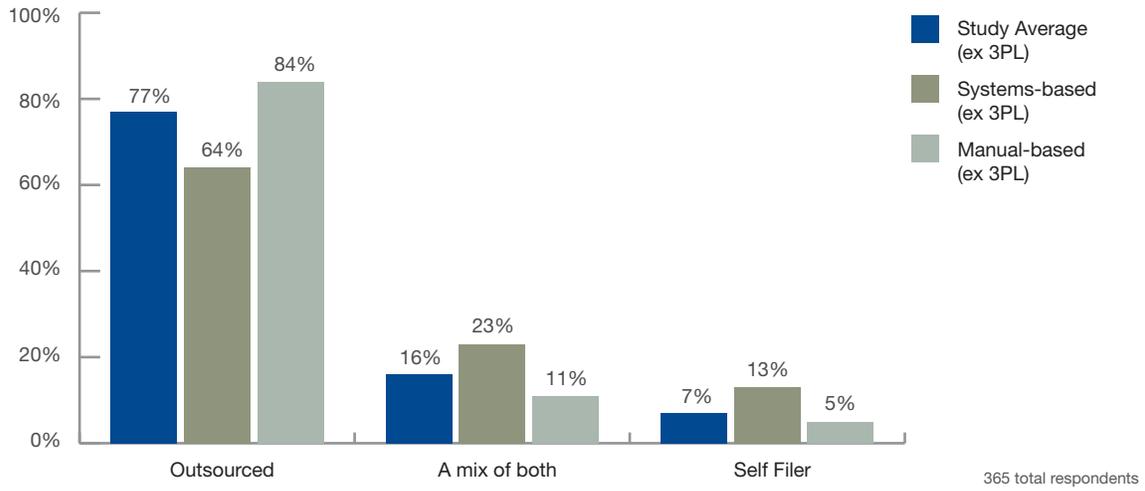|	Import Origins	Number of Brokers	Number of Entries/Year	Number of FTE
Retail/Wholesale	13.92	1.97	4,760	2.89
Descrete Manufacturing	28.88	3.30	22,055	4.22
Process Manufacturing	39.51	3.50	7,466	4.36
3PL/Intermediary	50.54	5.00	41,898	252.56
Systems-based (exclude 3PL)	39.11	2.61	14,550	4.07
Manual-based (exclude 3PL)	17.42	2.74	4,575	2.05

Interestingly, systems-based importers average a higher number of full-time equivalents (FTE) employees for their import operations than manual-based organizations. Systems-based importers also have nearly three-times as many customs entries per year from more than twice as many origins. These importers are leveraging systems to not only increase productivity but to manage complexity.

Not surprisingly, 3PLs average a significantly higher average number of FTEs due to the nature of their operations. These firms are acting as an import operation and/or compliance group for many manufacturers, retailers and other shippers. In the process, they're taking on headcount that would have otherwise existed at the customer.

FIGURE 8: Self Filing vs. Outsourced

Legend:
- Study Average (ex 3PL)
- Systems-based (ex 3PL)
- Manual-based (ex 3PL)

Outsourced: 77%, 64%, 84%
A mix of both: 16%, 23%, 11%
Self Filer: 7%, 13%, 5%

365 total respondents

The vast majority of importers outsource their customs brokerage activities. Manual-based importers were the highest average outsourcers, while 13 percent of systems-based importers were self-filers. An automated approach to import compliance enables companies to self-file and create a "closed" supply chain. It is likely that self-filers have more accurate entry declarations, because they are more involved in the creation of the entry declaration.

There was no discernable difference between industry segments in self-filing vs. outsourcing. In fact, small, medium-size and large companies who self-filed were within a matter of points of each other.

A majority of companies file formal entries. Large and medium-size companies both file an average of 95 percent, while small companies file just 77 percent. This lower number indicates valuation issues such as undervaluation and failures to declare assists.

The average respondent includes 16 lines per entry filing. Medium-sized companies include 23.14, while large companies average 14.87 lines. Small companies average just 12.16 lines.

Small companies have the lowest average number of lines indicating that they may not have a thorough understanding of the Harmonized Tariff System. Systems-based filers had an average of 16.34 lines, with manual based filers averaging 13.25. These figures also indicate that companies leveraging customs compliance systems must develop an internal classification process that reviews all products/parts. This automated internal classification process increases the accuracy of classification and minimizes risk of exposure to fines, penalties, or decreased turnaround time.

FIGURE 9: Nature of Entry Filings
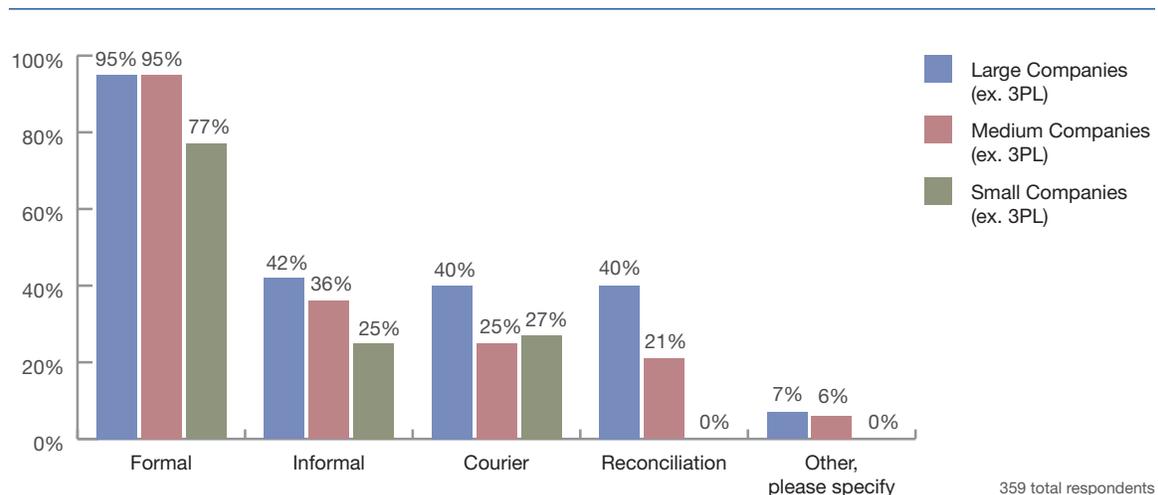
Large Companies (ex. 3PL)
Medium Companies (ex. 3PL)
Small Companies (ex. 3PL)

359 total respondents

Large companies file reconciliation more often than medium-size companies and no small company files reconciliation. Remarkably, reconciliation is still a highly manual process with 23 percent of systems-based companies filing reconciliation compared to 20 percent of manual-based companies.

Manufacturers, particularly the discrete segment, are the most likely to file reconciliation entries. These importers make up roughly two-thirds of respondents who flag more than 75 percent of their customs entries for reconciliation. Over 45 percent of companies do not file reconciliations at all.
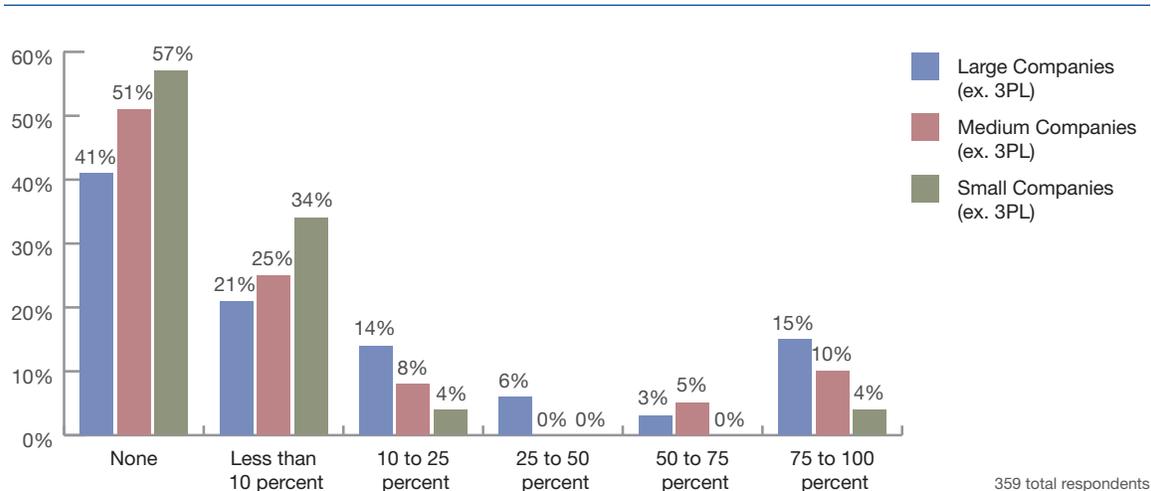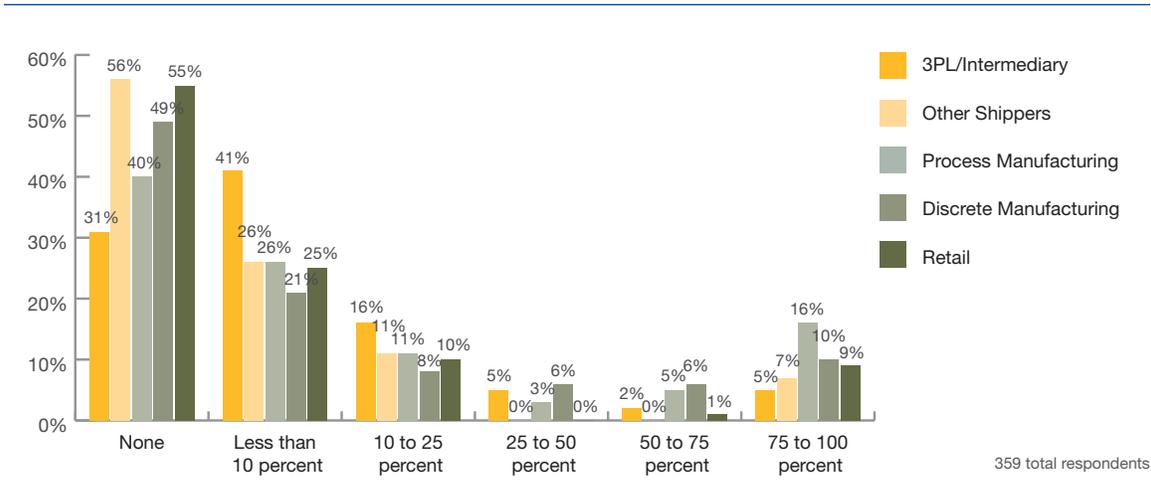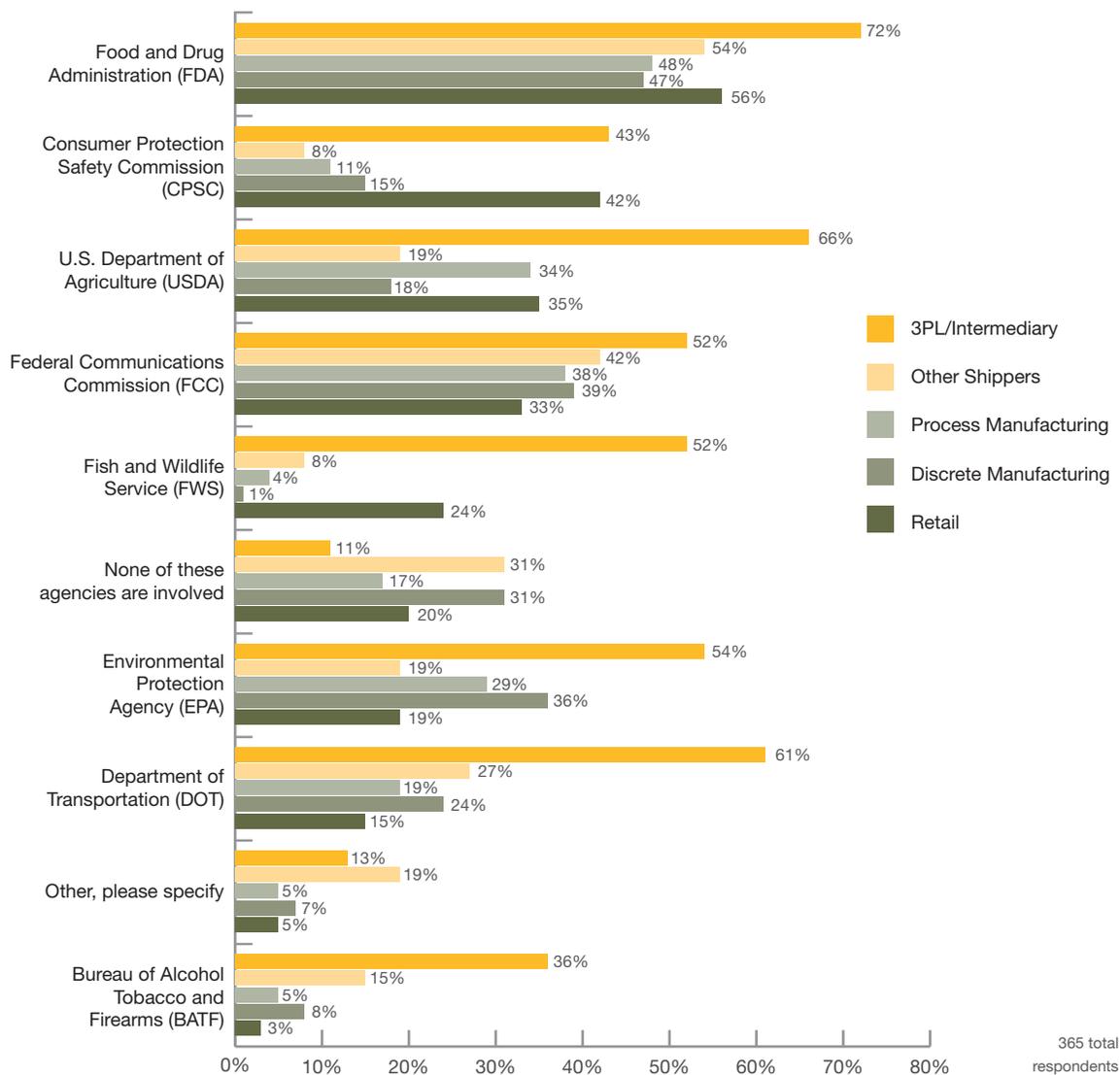
FIGURE 10: Entries Flagged for Reconciliation

359 total respondents

FIGURE 11: Entries Flagged for Reconciliation

359 total respondents

Roughly 50 percent of respondents report that they must clear the Food and Drug Administration in addition to Customs. The next highest percentage was 37 for the Federal Communications Commission. The U.S. Department of Agriculture came in at 29 percent. The Environmental Protection Agency registered at 27 percent. And 22 percent of companies reported that they were not subject to any of the government agencies that were listed in the survey. It was a bit odd that 11 percent of 3PLs stated that they were not subject to any other government agency regulations. Seven percent of survey respondents stated that they were subject to other agencies, which included the Drug Enforcement Agency, International Trade Administration and Environmental Protection Agency.

FIGURE 12: U.S. Government Agencies Involved In Clearance

Legend:
- 3PL/Intermediary
- Other Shippers
- Process Manufacturing
- Discrete Manufacturing
- Retail

Food and Drug Administration (FDA): 72%, 54%, 48%, 47%, 56%
Consumer Protection Safety Commission (CPSC): 43%, 8%, 11%, 15%, 42%
U.S. Department of Agriculture (USDA): 66%, 19%, 34%, 18%, 35%
Federal Communications Commission (FCC): 52%, 42%, 38%, 39%, 33%
Fish and Wildlife Service (FWS): 52%, 8%, 4%, 1%, 24%
None of these agencies are involved: 11%, 31%, 17%, 31%, 20%
Environmental Protection Agency (EPA): 54%, 19%, 29%, 36%, 19%
Department of Transportation (DOT): 61%, 27%, 19%, 24%, 15%
Other, please specify: 13%, 19%, 5%, 7%, 5%
Bureau of Alcohol Tobacco and Firearms (BATF): 36%, 15%, 5%, 8%, 3%
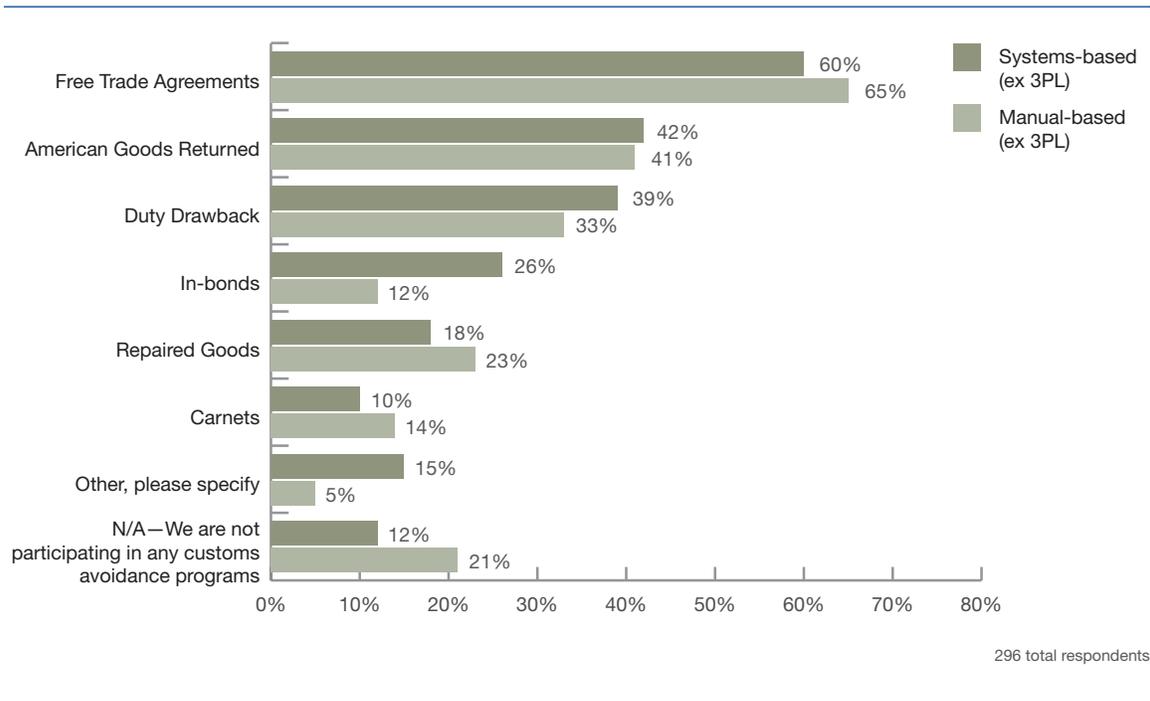
365 total respondents

Nearly every respondent participates in at least one duty avoidance program with discrete manufacturing leading the pack as being most likely (88 percent) to participate in such a program. Only 18 percent of respondents are not participating in any type of duty avoidance program.

Nearly 80 percent of large companies take advantage of duty avoidance programs, while small companies are most likely not to participate.

Surprisingly, participation in duty avoidance programs did not vary dramatically between systems-based companies and manual-based companies.

FIGURE 13: Duty Avoidance Programs

Systems-based (ex 3PL)
Manual-based (ex 3PL)

| Program	Systems-based	Manual-based
Free Trade Agreements	60%	65%
American Goods Returned	42%	41%
Duty Drawback	39%	33%
In-bonds	26%	12%
Repaired Goods	18%	23%
Carnets	10%	14%
Other, please specify	15%	5%
N/A—We are not participating in any customs avoidance programs	12%	21%

296 total respondents

Free trade agreements are the most utilized duty avoidance programs at 61 percent of the average. American Goods Returned were next at 41 percent, followed by duty drawback programs with 36 percent. Twenty-four percent of companies use in-bonds and only 17 percent of companies utilize Carnets. Other types of duty avoidance programs that were reported include Free Trade Zones, "first sale" valuation, and duty minimization legislation.

Importers should be cautioned that it is important to conduct a cost benefit analysis of duty avoidance programs to ensure that the cost of administering the program is not equal to or greater than the savings realized. It is also critical to audit duty avoidance programs on a regular basis to ensure the proper qualification and certification is done and there is a robust audit trail to support the duty avoidance programs.
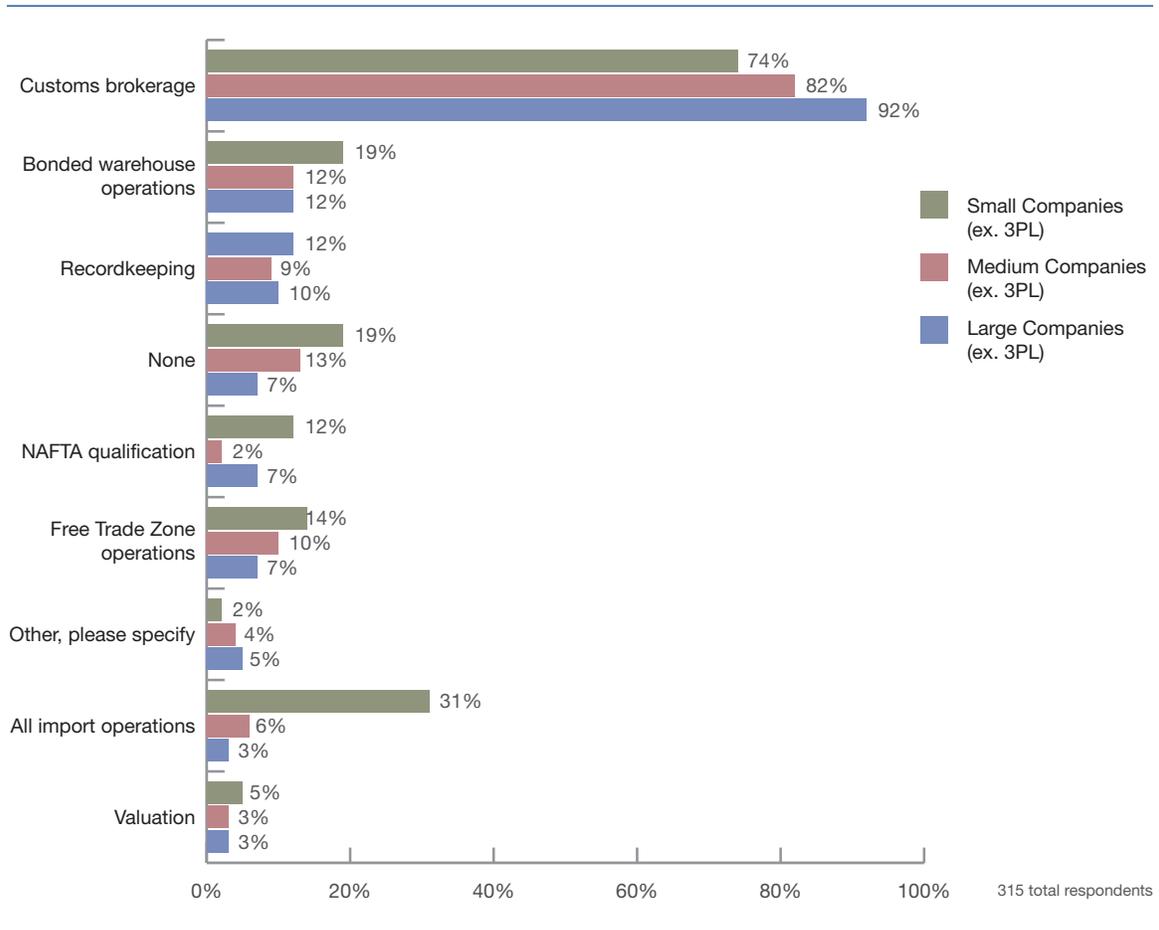
FIGURE 14: Duty Avoidance Programs
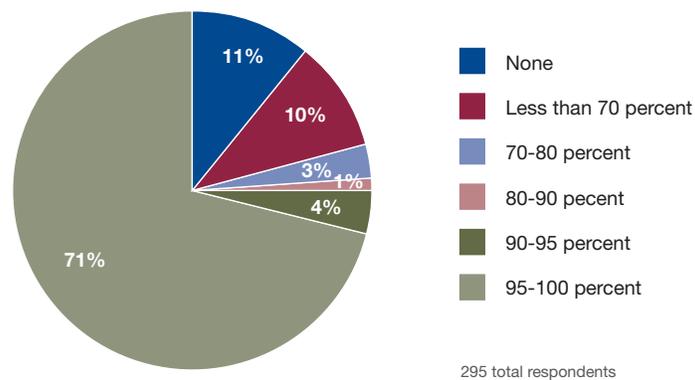

296 total respondents
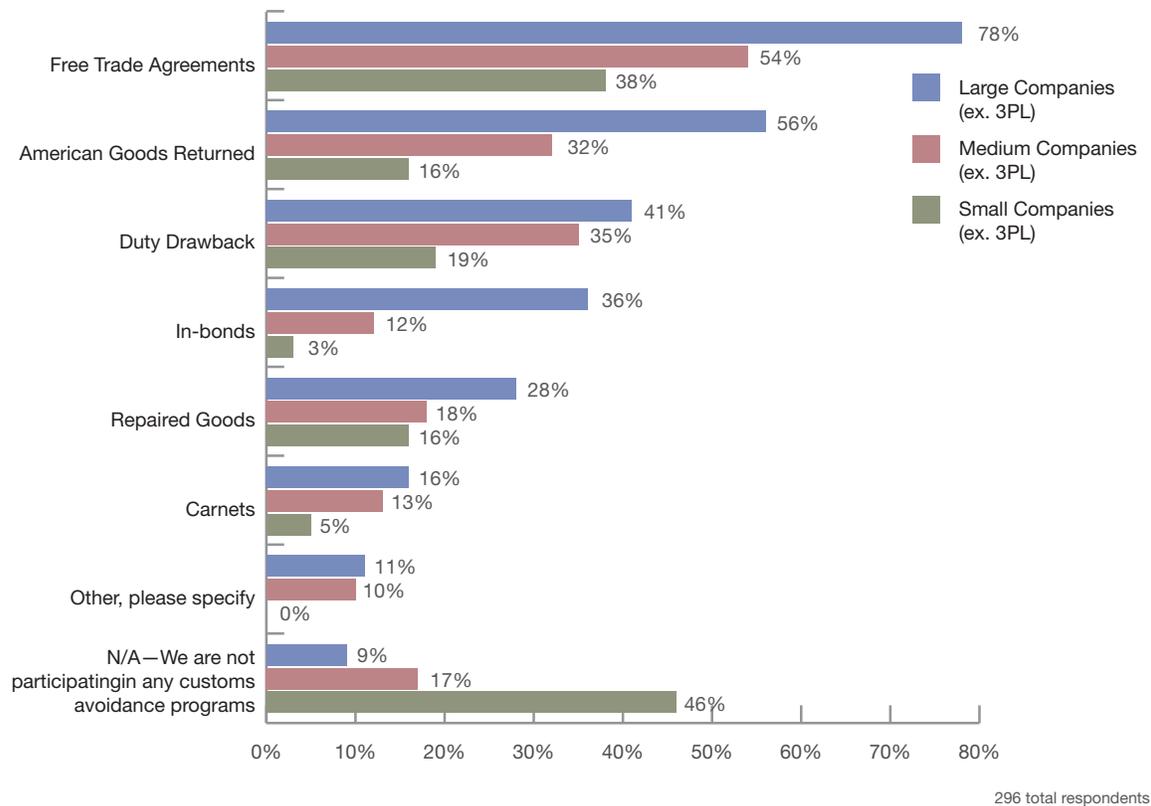
Outsourcing of trade compliance functions is limited to outsourcing customs brokerage. The exception is with small companies who do not have the in-house resources to manage the entire trade compliance workload. What was surprising was that small companies outsource bonded warehouse, NAFTA qualification, and Free Trade Zone activities in higher percentages than medium-size and large companies.

FIGURE 15: Outsourced Processes

Process	Small Companies (ex. 3PL)	Medium Companies (ex. 3PL)	Large Companies (ex. 3PL)
Customs brokerage	74%	82%	92%
Bonded warehouse operations	19%	12%	12%
Recordkeeping	12%	9%	10%
None	19%	13%	7%
NAFTA qualification	12%	2%	7%
Free Trade Zone operations	14%	10%	7%
Other, please specify	2%	4%	5%
All import operations	31%	6%	3%
Valuation	5%	3%	3%

315 total respondents

More than 70 percent of importers successfully file their Importer Security Filings (ISFs), while unfortunately 11 percent of survey respondents were not filing any. This is not surprising that there is still a significant number of non-filers. At the C-TPAT conference in 2011, Customs announced that it has not issued any liquidated damages for failure to file ISFs. This could be attributed to the fact that the staffing levels at the ports do not lend themselves to ISF enforcement. Additionally, there may be hesitation on the part of the local ports to refer ISF liquidated damage cases to CBP headquarters. However, this warrants a word of caution—ISF regulations have a six-year statute of limitations. Although liquidated damages have not yet been issued, CBP can issue damages against your prior shipments.

FIGURE 16: ISF Filing Rate

None	11%
Less than 70 percent	10%
70-80 percent	3%
80-90 pecent	1%
90-95 percent	4%
95-100 percent	71%

295 total respondents

The majority of companies audit their entries. Seventy percent achieve an accuracy of 95 percent or more. What is worrisome is that approximately 20 percent of companies see 80 to 95 percent of accuracy. Manual-based companies were more likely not to audit then systems-based companies.

Large companies tend to have master data sets and they share them with their customs broker more often than small and medium-size companies.
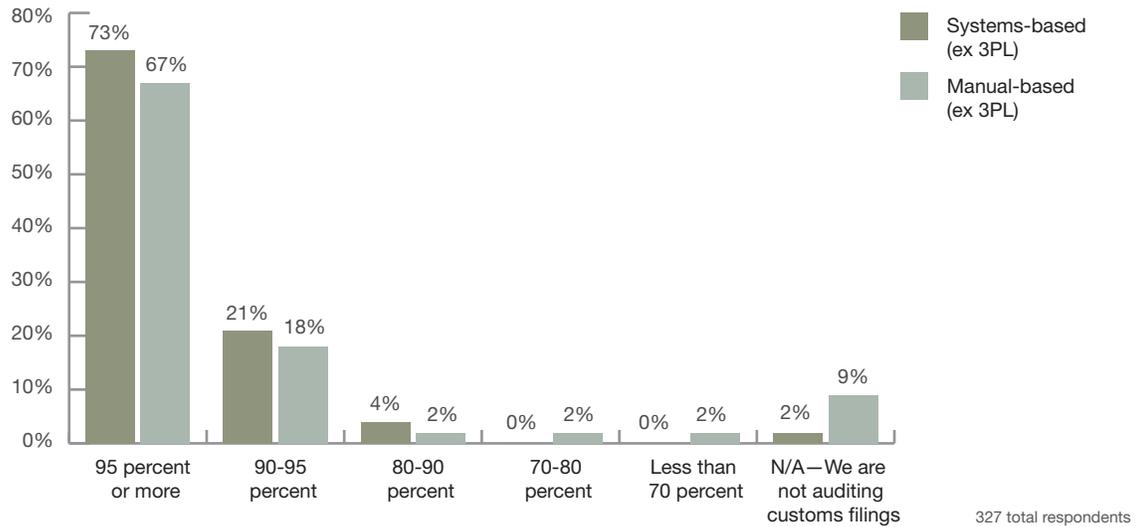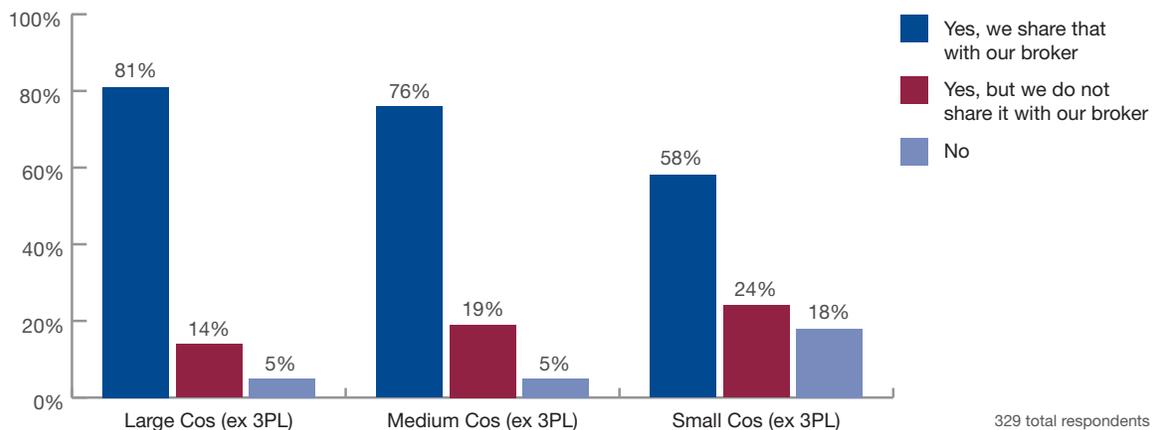
FIGURE 17: Accuracy of Customs Filings

327 total respondents

FIGURE 18: Does Your Company Maintain a Master Data Set with Product Classifications ?

329 total respondents

Section IV: Training and Education

Overall, it is encouraging to see that 88 percent of companies review and update policies. We found from the statistics discussed below that the review and updating is not always centralized in a single compliance department. The survey also indicated that it is not always clear that policy changes are communicated widely throughout the company.

FIGURE 19: Does Your Company Update Compliance Policies?


363 total respondents
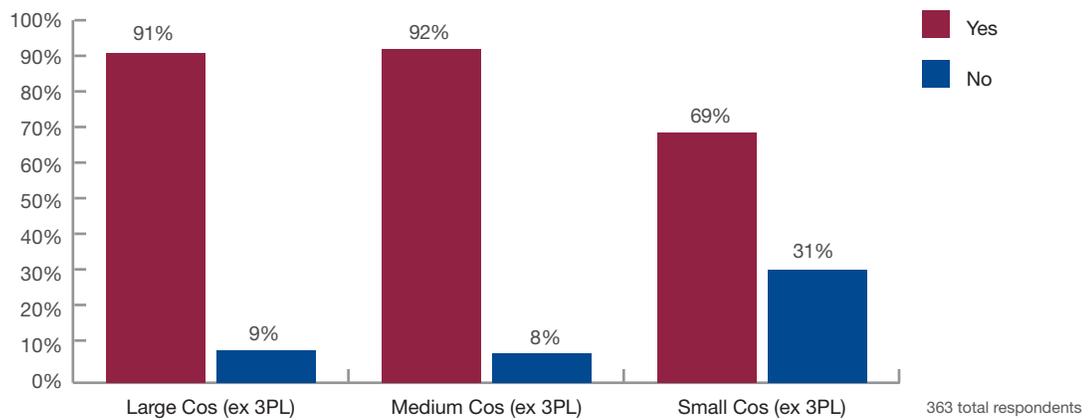
When asked about how companies communicate changes to trade-related regulations and internal policy changes, respondents cite a number of practices. Large and medium-size companies utilize trade alerts from the internal compliance team, regular meetings, postings to internal company Websites and communications from customs brokers. The majority of small companies state that they are nimble enough to notify the impacted function immediately.

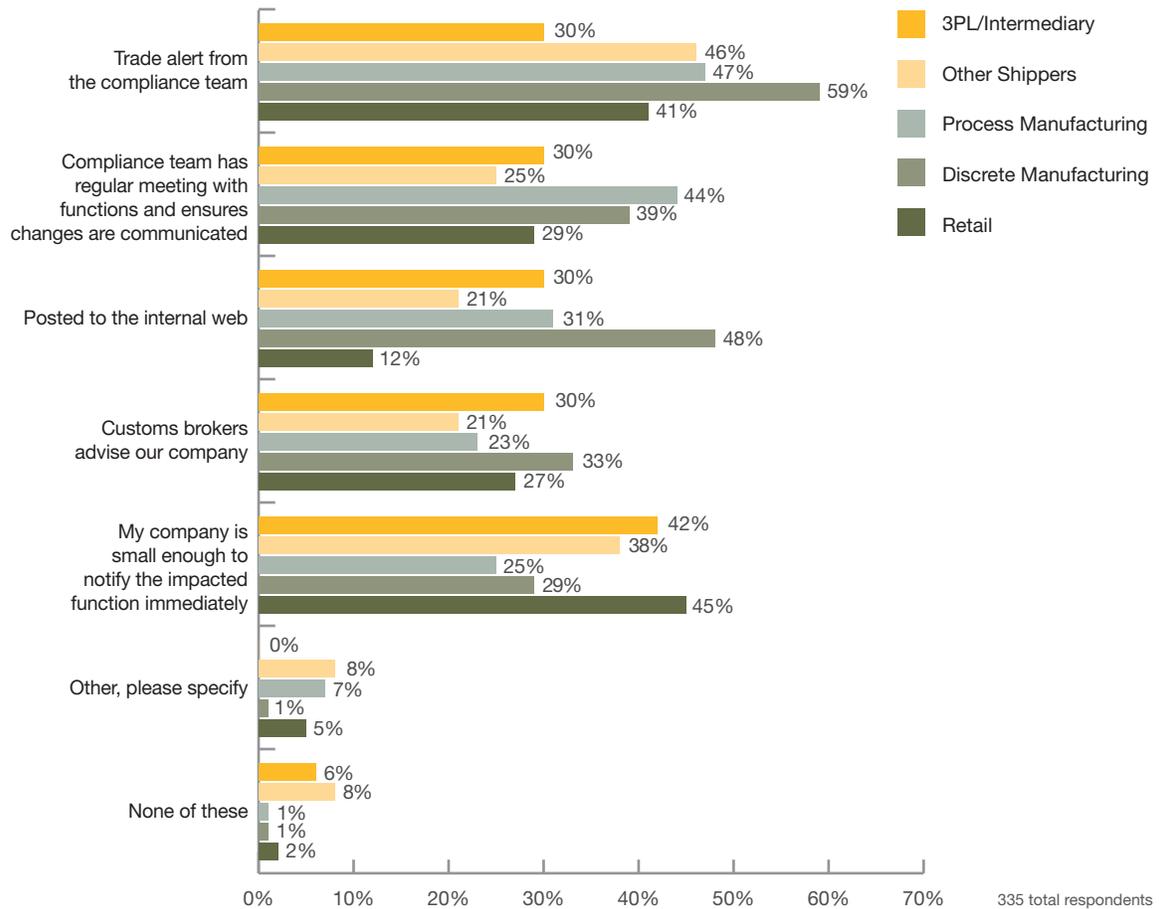Unfortunately, less than half of the companies surveyed have any standard means of communicating changes. This poses tremendous risk to companies that are not maintaining their trade policies. Also, there is risk in not documenting corporate-wide trade compliance communications as external auditors look to ensure that changes to corporate and regulatory policies are sufficiently communicated.

FIGURE 20: How is News Communicated?
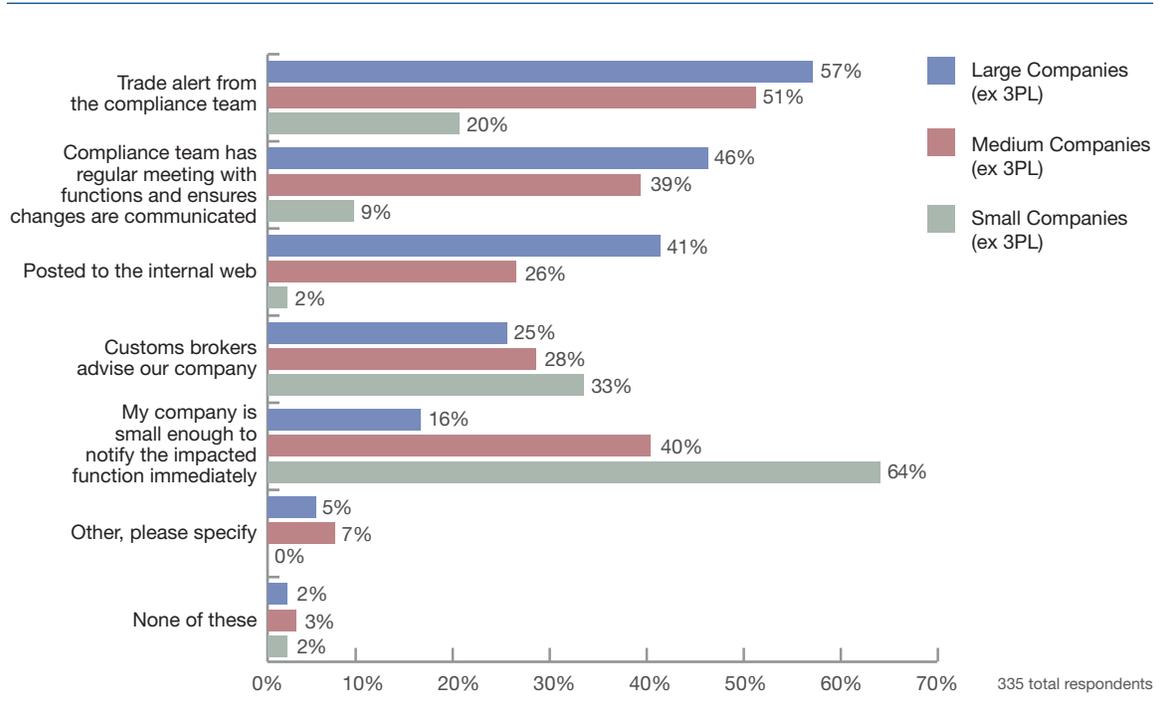
Potentially a trend, discrete manufacturing communicates more diversely than other segments, while 3PLs are relatively low on communications compared to other segments. Retail manufacturing was found to rarely use a posting to an internal Website to convey regulatory or internal changes to policy. These types of importers instead rely on communications from the compliance team or from their customs brokers.

FIGURE 21: How is News Communicated?

Legend:
- 3PL/Intermediary
- Other Shippers
- Process Manufacturing
- Discrete Manufacturing
- Retail

Trade alert from the compliance team
- 30%
- 46%
- 47%
- 59%
- 41%

Compliance team has regular meeting with functions and ensures changes are communicated
- 30%
- 25%
- 44%
- 39%
- 29%

Posted to the internal web
- 30%
- 21%
- 31%
- 48%
- 12%

Customs brokers advise our company
- 30%
- 21%
- 23%
- 33%
- 27%

My company is small enough to notify the impacted function immediately
- 42%
- 38%
- 25%
- 29%
- 45%

Other, please specify
- 0%
- 8%
- 7%
- 1%
- 5%

None of these
- 6%
- 8%
- 1%
- 1%
- 2%

335 total respondents

While it is great to see that customs compliance training exists across all segments, some of the numbers are still alarming and demonstrate a gap in customs compliance. Fifteen percent of the respondents (excluding 3PLs) indicate that their company does not offer trade-related training. This represents an enormous potential exposure to a company in terms of fines, penalties, or loss of trading privileges that could be minimized or avoided even with simple awareness training delivered to company personnel.

For companies that provide trade-related training, an overwhelming majority indicate that the training is delivered in person. While this is often extremely productive as the attendees interact directly with the trainer, it is often not feasible for companies that are global in nature to deliver in-person training during the current economic climate. Further, in-person training is often not delivered with enough frequency or consistency to communicate the compliance standards and reach all employees with trade-related responsibilities. A slim 40 respondents, most of which are from the 3PL segment, indicate that they make use of recorded training available 24x7x365.

FIGURE 22: Nature of Training Programs

350 total respondents
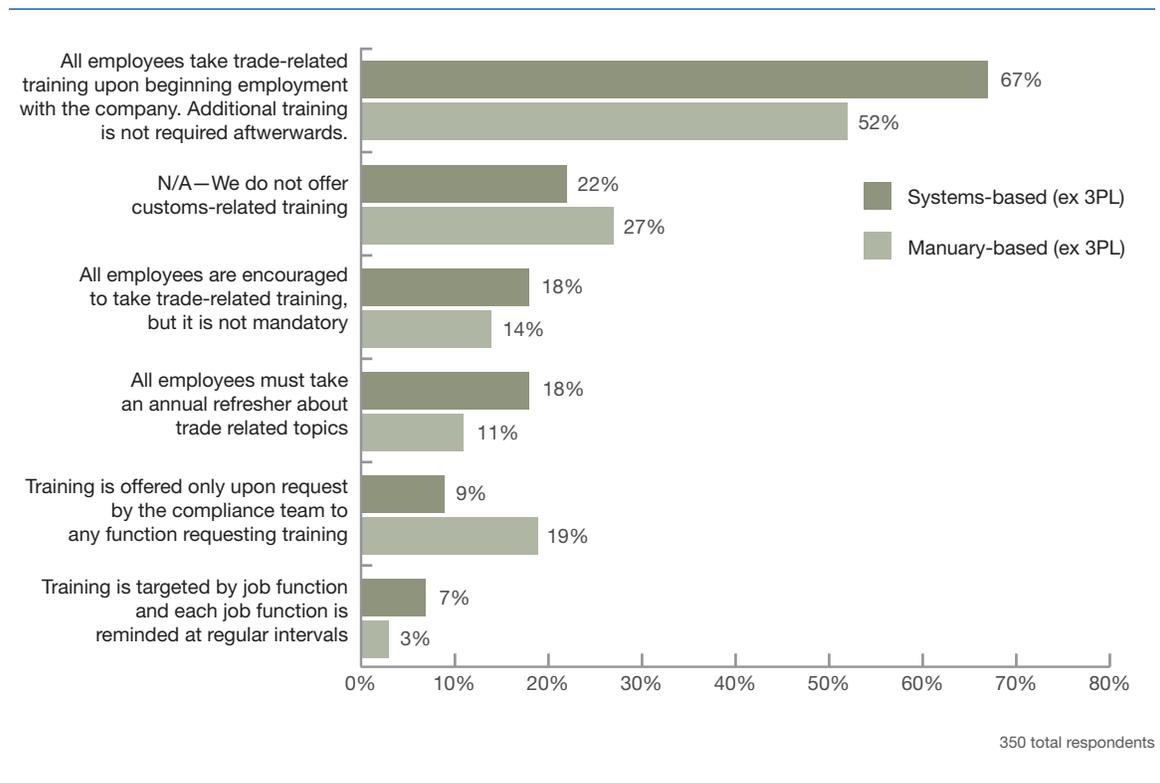
Understanding that most training is delivered in-person, it is not surprising to see that most companies rely on internally developing training materials. This is certainly valuable as the trainer can communicate tangible examples of trade issues faced by the company, but it also represents an additional responsibility placed on the compliance team.

A gap may exist in how compliance is clearly and consistently communicated throughout a company. If the burden of delivering training rests on compliance personnel tasked with developing and personally delivering timely trade-related training to all functions in a company, in addition to regular day-to-day responsibilities, then compliance awareness training risks taking a backseat to more pressing business needs.

FIGURE 23: Training Delivery Method

311 total respondents
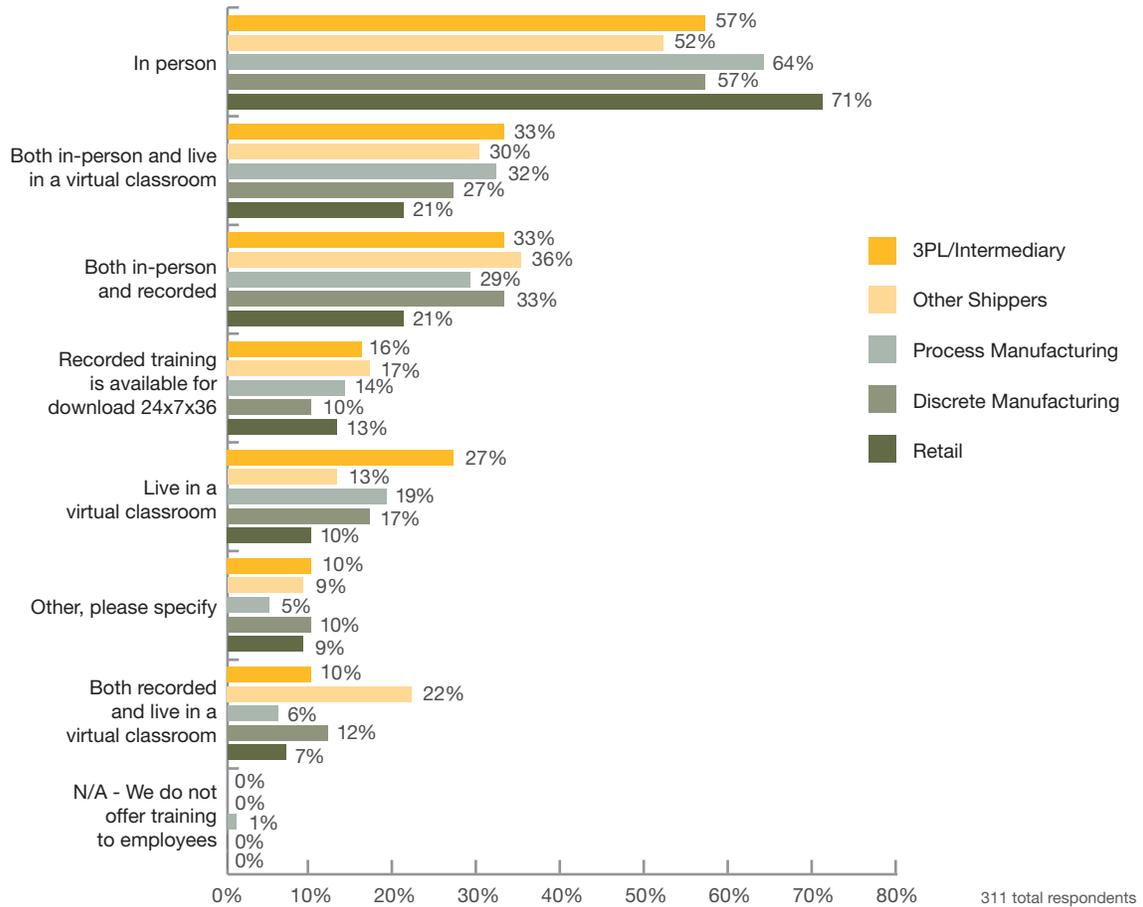
Compliance teams develop a significant number of their materials in house. It is rare that companies completely outsource the development of their training. This is probably due to a general lack of global trade compliance content available from large training development shops. However, topic-specific training created by external sources exists and companies are leveraging these materials in equal numbers.

FIGURE 24: How is Training Created?

Legend:
- System-based (ex 3PL)
- Manual-based (ex 3PL)

| Category	System-based (ex 3PL)	Manual-based (ex 3PL)
Internally	42%	53%
Both	53%	40%
Licensed or delivered by an external party	3%	6%
Neither	1%	1%
Other, please specify	1%	0%

295 total respondents
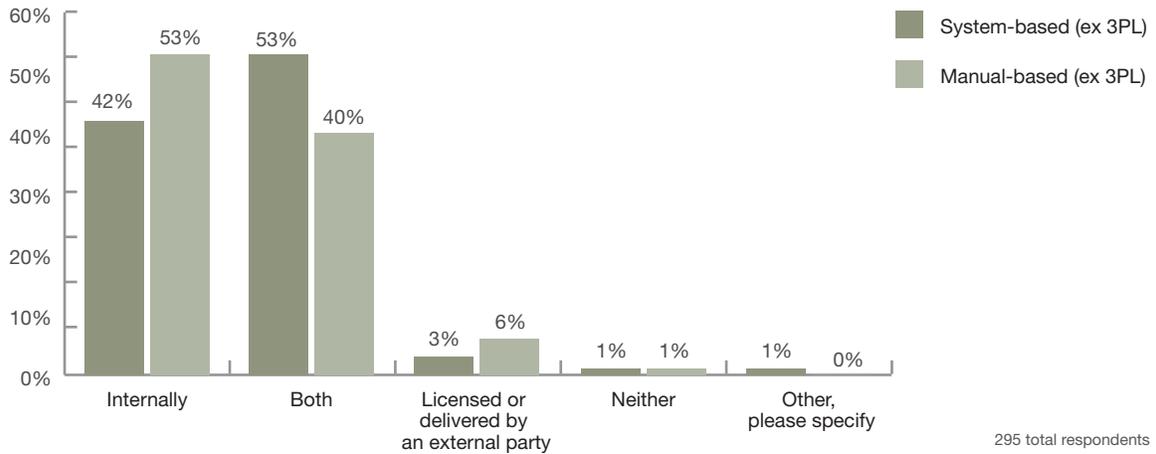
Section V: Costs

The vast majority of respondents pay less than $100 dollars per entry filing, with 93 percent of respondents paying less than $150 per entry. Less than 6 percent of all respondents pay $200 or more. Factors that increase companies' entry filing costs include number of lines, government agency reviews, reconciliation, and duty avoidance programs.

As automation becomes more prevalent and customers require access to brokers' systems for added visibility and control, it is critical to understand if companies are paying more for access to these systems.
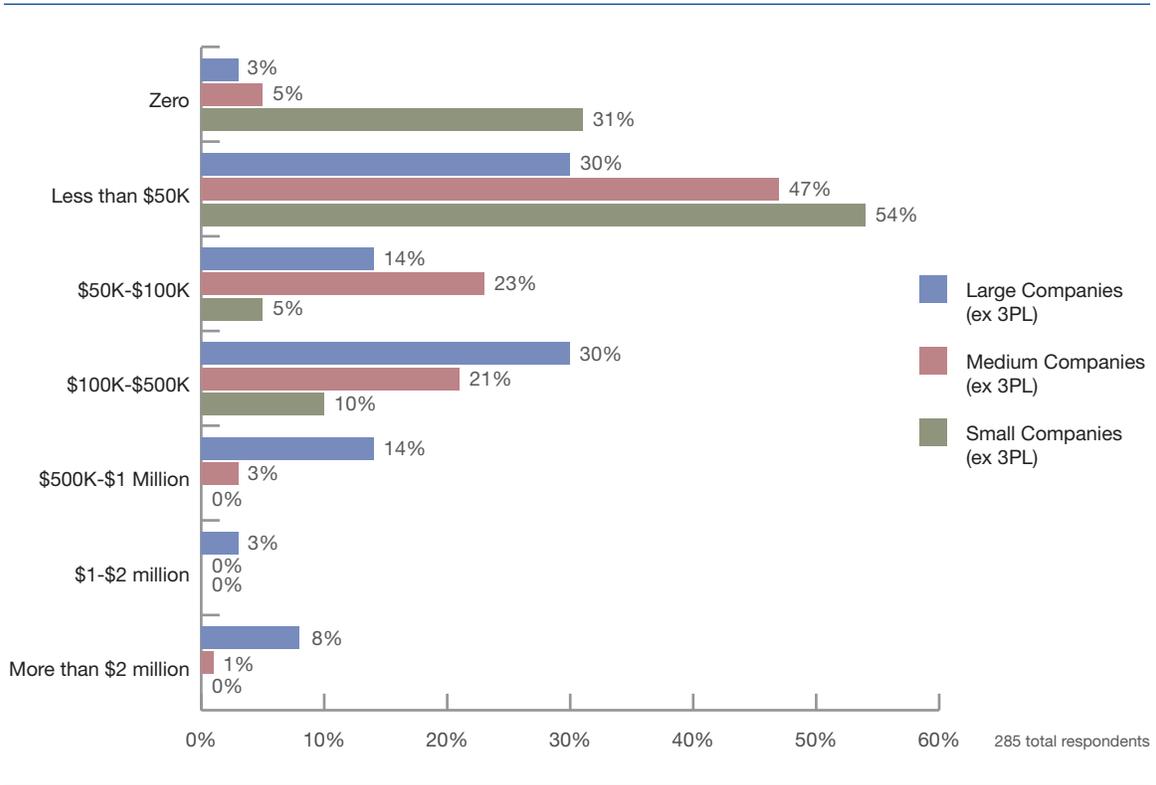
FIGURE 25: Cost Per Entry Filing
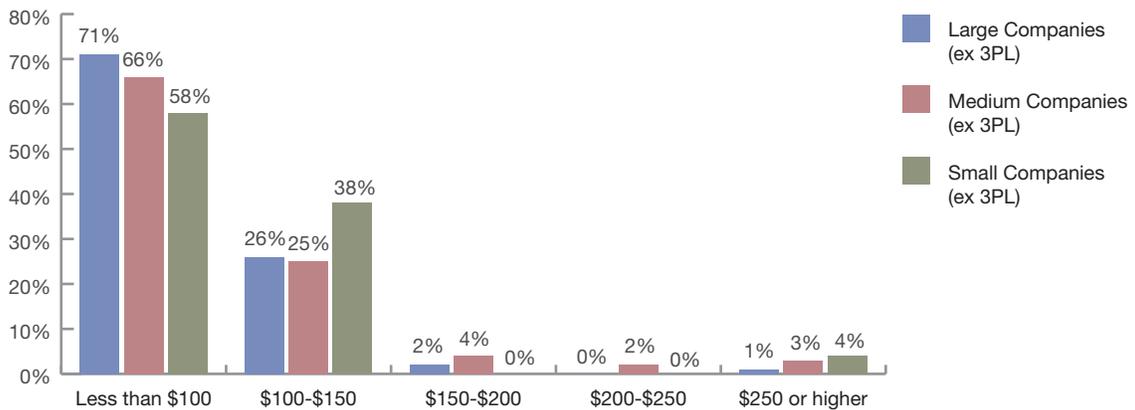
337 total respondents

Forty percent of respondents report their companies spend less than $50,000 per year on import compliance. The scary part of this is that this includes all costs for automation (hardware and software), education, training, services and consultants. Only 23 percent spend between $100,000 and $500,000, and more than half of these are manufacturers.

This shows companies are not investing in import compliance. There is a myriad of risk that this poses to companies, including supply chain disruption, lost customer sales, loss of trading privileges, contract suspension, debarment, damage to brand/reputation, restrictions to market access, fines and penalties, and increased inventory costs.

FIGURE 26: Spending On Import Compliance

Category	Large Companies (ex 3PL)	Medium Companies (ex 3PL)	Small Companies (ex 3PL)
Zero	3%	5%	31%
Less than $50K	30%	47%	54%
$50K-$100K	14%	23%	5%
$100K-$500K	30%	21%	10%
$500K-$1 Million	14%	3%	0%
$1-$2 million	3%	0%	0%
More than $2 million	8%	1%	0%

285 total respondents

Section VI: Technology

Forty percent of respondents utilized manual/spreadsheet-based processes to manage their import operations and compliance, while another 40 percent have some form of automation. The remainder outsources this function to 3PLs or other service providers.

FIGURE 27: Nature of Import Operations & Compliance

338 total respondents

Legend:
- Large Companies (ex 3PL)
- Medium Companies (ex 3PL)
- Small Companies (ex 3PL)
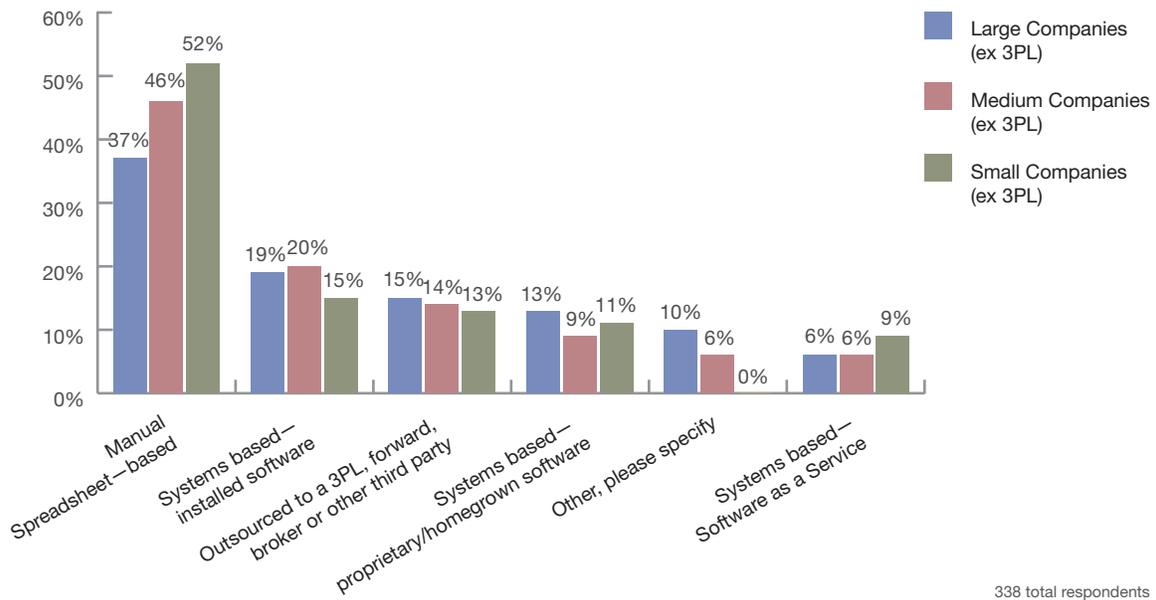
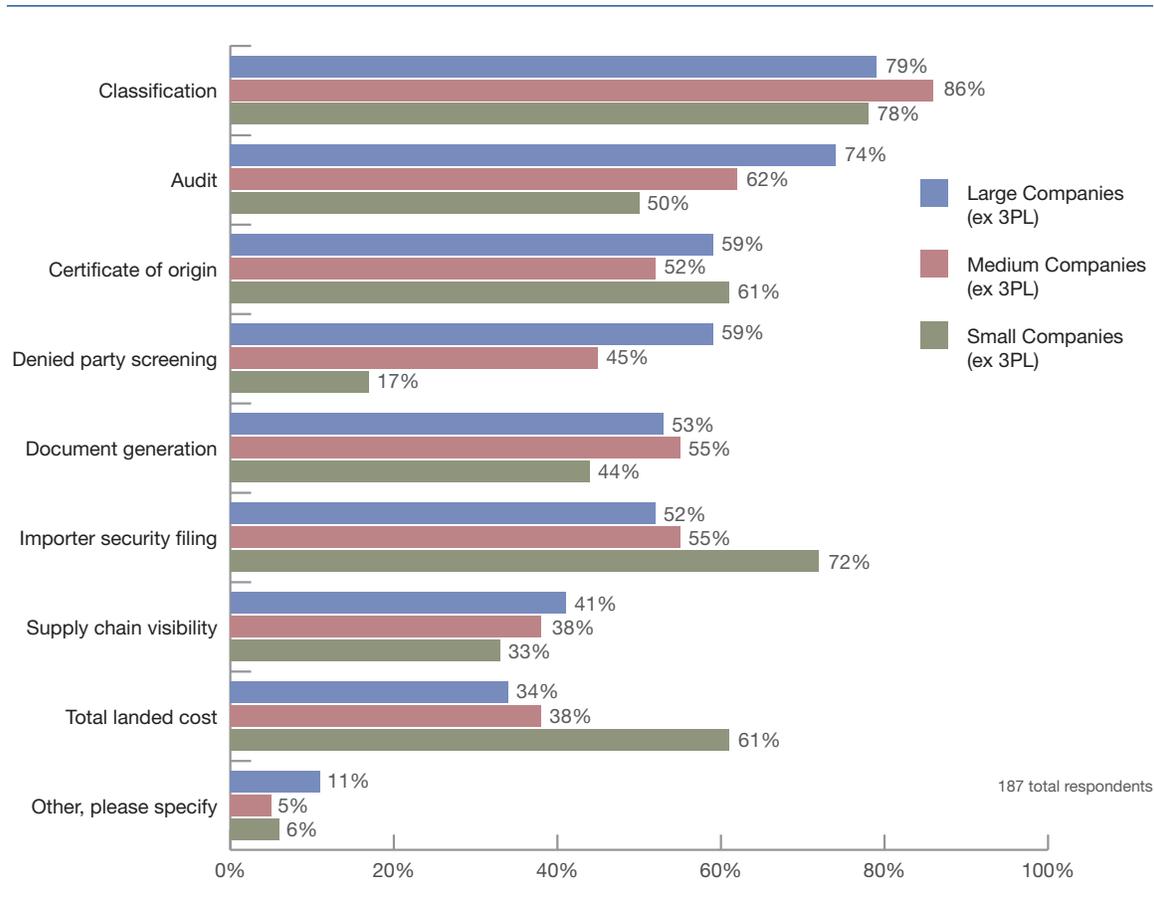The majority (79 percent) of these respondents stated that they use systems to perform classification, while 59 percent of respondents use solutions to file ISFs. Import operations have not changed much over the years and tend to remain fairly manual. However, the ISF process and the fact it has largely been automated is a true testament that solving the ISF requirement to filing advance cargo data is a huge shift in companies' approaches to global trade compliance. Our survey uncovered that compliance with new regulations is more likely to be addressed through automation, while old compliance challenges that have been around for years and have manual "work-arounds" have been buried despite automation opportunities.

Fifty-seven percent of companies utilize a system for documentation generation, which is a good thing. Companies are ensuring that their declarations to the regulatory agencies are accurate and have standards.
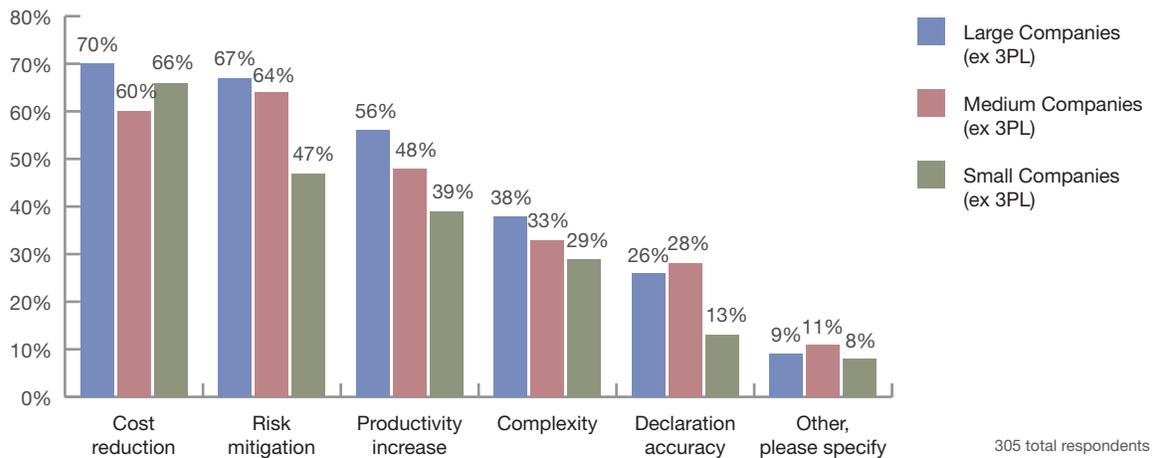
Surprisingly, 56 percent of companies rely on a systemic solution for certificates of origin. Companies are typically lax when it comes to tracking their product origins. For companies that do, a system can track the sources of the finished good and then generate an origin certificate.

FIGURE 28: Functionality

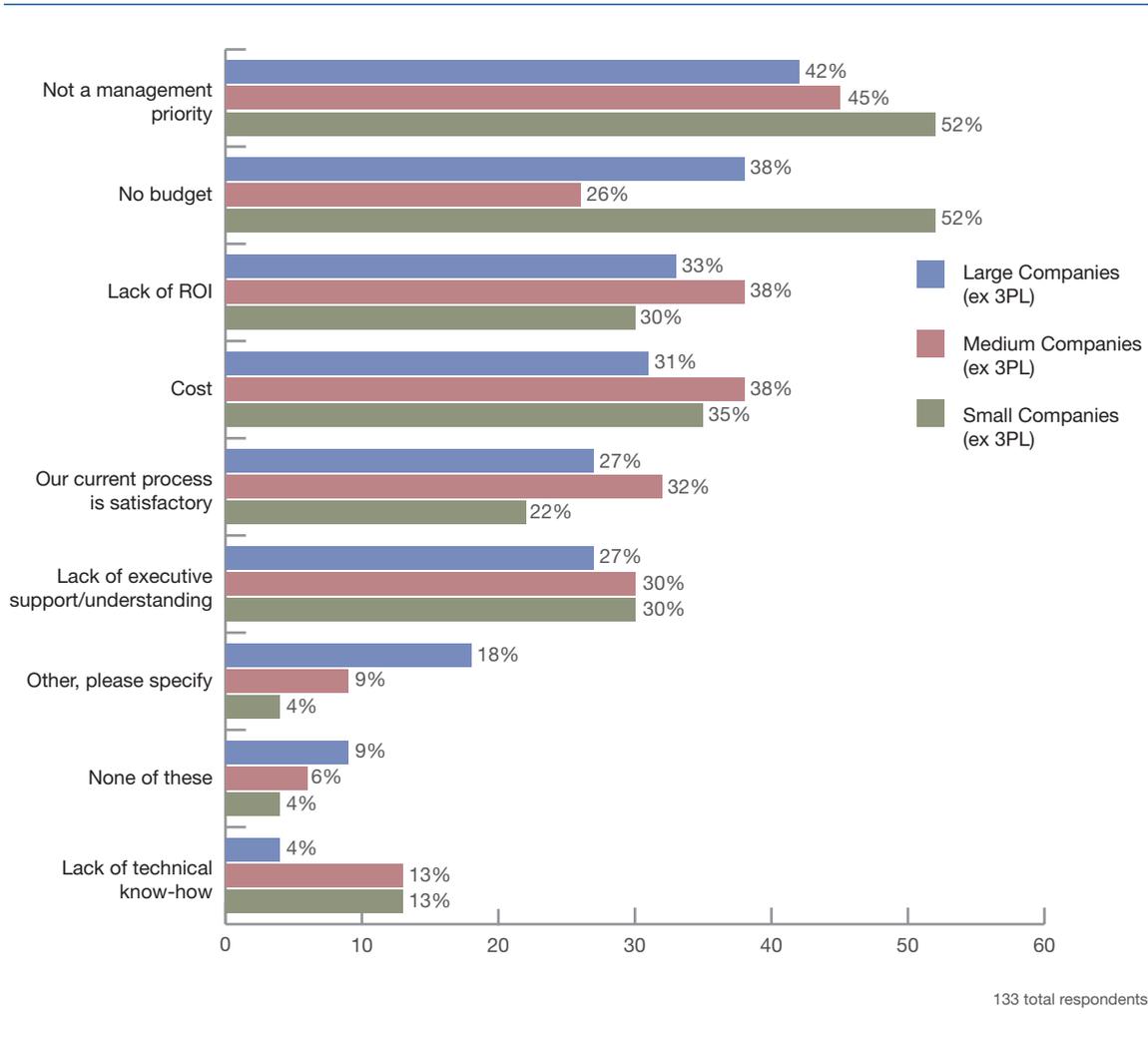|	Large Companies (ex 3PL)	Medium Companies (ex 3PL)	Small Companies (ex 3PL)
Classification	79%	86%	78%
Audit	74%	62%	50%
Certificate of origin	59%	52%	61%
Denied party screening	59%	45%	17%
Document generation	53%	55%	44%
Importer security filing	52%	55%	72%
Supply chain visibility	41%	38%	33%
Total landed cost	34%	38%	61%
Other, please specify	11%	5%	6%

187 total respondents

As usual, cost reduction leads the list of drivers to adopting technology. Risk mitigation, a key benefit of any global trade technology, ranks a close second. Complexity comes up surprisingly low considering how clear it is (see figure 7) that import management and compliance systems enable companies to manage large, complex sourcing networks.

Large Companies
(ex 3PL)

Medium Companies
(ex 3PL)

Small Companies
(ex 3PL)

305 total respondents

While the top inhibitors are not surprising, they are nonetheless disappointing. Survey respondents, who are not leveraging systems to support import processes, cite budgets and management priorities as the biggest inhibitors.

FIGURE 30: Inhibitors to Technology Adoption

	Large Companies (ex 3PL)	Medium Companies (ex 3PL)	Small Companies (ex 3PL)
Not a management priority	42%	45%	52%
No budget	38%	26%	52%
Lack of ROI	33%	38%	30%
Cost	31%	38%	35%
Our current process is satisfactory	27%	32%	22%
Lack of executive support/understanding	27%	30%	30%
Other, please specify	18%	9%	4%
None of these	9%	6%	4%
Lack of technical know-how	4%	13%	13%

133 total respondents

Section VII: Best Practices

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 peers?

- What steps can I take to educate my organization on the issues impacting importers today?

Compliance personnel are encouraged to highlight the importance of trade compliance to senior management. Highlight the risks. Highlight the impacts. More importantly, identify and highlight the needs of your corporate compliance department. Select among these priorities, whether it is systems, corporate structure, or training, and escalate these needs. Dedicated compliance personnel contribute to positioning a company to win. Work with senior-level management to ensure your company retains this advantage.

TAKE-AWAYS & BEST PRACTICES

In reviewing the results of this study, the takeaways are clear:

- The importance of trade compliance must be communicated to senior management and senior management must make compliance a priority.

- The current lack of corporate support and emphasis on trade compliance results in decentralized trade compliance teams often embedded in operational departments. Responsibilities for policies and procedures are therefore inconsistent throughout the company.

- Investments must be made in compliance automation in the form of systems and tools to both automate and ensure compliance.

- Systemic solutions enable importers to manage a more robust supply chain, as well as provide the ability to maximize business opportunities and increase efficiency.

So, what does this all mean? Aside from the obvious decrease in supply chain efficiency amid increased inventory costs and steep fines and penalties, when surfaced, the risks companies take in import compliance negatively impact trading privileges, contract eligibility, corporate brand/reputation, and market access. These consequences are far-reaching, unpredictable in their severity, and are something no business should safely assume can be absorbed without consequence.

Of particular concern are the apparent conflicts of interest between compliance and operations, as well as corporate confusion in roles, responsibilities, and follow-through on compliance. Coordination of compliance activities, policy development and updates, and company-wide communications regarding regulatory and internal policy changes are clearly fragmented and, without senior-level support, will remain so in the future.

The statistics in this study prove the incredible. While the strategic focus of many corporate compliance departments is muddled, if not completely absent, companies continue importing parts and products worldwide. Entering new markets, fulfilling customer orders, and enhancing the bottom line prevail over regulatory requirements. There is an alarming deficiency in training, tools, and systems to assist companies in meeting their compliance requirements. It is not a leap of faith to assume that even the responsible compliance personnel are left unsupported in continuing education in compliance.

Asking the question again, what does this all mean? Bluntly put, large and small companies; discrete, process and retail manufacturers; and 3PLs have deficiencies in their import compliance departments. Compliance responsibilities are unclear and inconsistent.

Appendix A: 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 30,000 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 more than 50 responses to keep the potential margin of error to a minimum.

LIBRARY

American Shipper's complete library of research is available on our Website: AmericanShipper.com/Research.

Annual studies include:

- Environmental Sustainability
- Export Compliance
- Import Compliance
- International Transportation Management
- Transportation Invoice Payment
- Transportation Procurement

CONTACT

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Appendix B: About Our Sponsors

KEWILL

With experience in global trade management and logistics since 1972, 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.

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, Kimberly-Clark, Kraft, Levi Strauss, Mazda, Nestlé, Nike, Palm, Procter & Gamble, Smith & Nephew, Sony, TNT, Unilever, UPS, Vodafone, Yamaha, Xerox. For more information visit www.kewill.com.

MANAGEMENT DYNAMICS, INC.

Management Dynamics, Inc is the leading provider of Global Trade Management (GTM) solutions that improve the performance of global supply chains for importers, exporters, logistics service providers, and carriers. Combining an expansive trading partner network, enterprise-class software and specialized trade content resources, our solutions address mission-critical business challenges for all companies involved in global trade. These solutions include automating import and export processes, providing order and shipment visibility, calculating tariffs, duties and taxes, ensuring regulatory compliance and simplifying the financing, sourcing and transporting of goods across international borders.

To learn more, visit our website: www.ManagementDynamics.com, email us at Solutions@ManagementDynamics.com, or read our latest case study to learn how Leggett & Platt realized 3% in product cost savings by centralizing import management and improving customs compliance.

Appendix B: About Our Sponsors, Continued

QuestaWeb, Inc.
Global Trade Management Solutions

QUESTAWEB

QuestaWeb provides integrated, Web-based GTM solutions. Our applications unify import, export, logistics, compliance, and financial processes including customs clearance, ISF, FTZ, landed costs, HTS classifications, export licensing, denied party screening, product catalog, tracking, event management, and much more. A centralized database maintains real-time compliance content and supports multiple countries, languages, currencies, and time zones; a document warehouse keeps records readily accessible. QuestaWeb accelerates product flow across the supply chain, reduces inventory and operational costs, and assures regulatory compliance. QuestaWeb is certified for SAP interface and can be integrated to most ERP and WMS systems. QuestaWeb has three deployment options, owned (behind your firewall), SaaS, or the best of both worlds, owned & hosted.

Appendix C: About Our Partners

BPE

Decrease risk and optimize efficiency with BPE. Since 2004, companies have achieved results through BPE's global trade consulting and training services. BPE'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 provides solutions that are customized to your company's needs.

The BPE team is made up of knowledgeable, energetic and pragmatic licensed customs brokers, each with over ten years of experience. BPE gives back to the trade community by sharing knowledge and skills through webinars, publications, trade events, and as a recognized Trade Ambassador to US 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, visit www.bpeglobal.com.

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