



technology review

GLOBAL TRADE MANAGEMENT SOFTWARE

a tool for (less) risky business

It's best known as a tool for automating regulatory compliance and documentation. But global trade management software can also help you reduce your exposure to all sorts of supply chain risks.

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International trade has never been easy. Importers and exporters have long confronted challenges created by differing national regulations, languages, and business cultures; long journeys by air, sea, and land; and mountains of documents needed to satisfy government requirements at both origin and destination.

To simplify matters, many companies have turned to global trade management (GTM) software. This software may be best known as a tool for automating time-consuming, error-prone tasks like document creation and denied-party screening. But that's just the tip of the trade management iceberg, so to speak. The software also can help users mitigate or avoid all sorts of supply chain risks.

Here are just three of the risks the technology can help importers and exporters avoid:

- Lawsuits, fines, jail time, and damaged reputations. That may sound extreme, but these are very real consequences of failure to comply with customs and security regulations both here and abroad. Fines can run into the millions of dollars; in some cases, individuals can be held legally liable for violations. Government agencies, moreover, are only too happy to publicize the names of companies that have violated regulations.

To keep their customers up to date on changing requirements, GTM software providers have trade experts on staff in the United States and around the world who monitor local laws and regulations. One of these experts is Celeste Catano, principal business analyst at software developer Kewill. A licensed customs broker, Catano is a committee chair for U.S. Customs and Border Protection's Trade Support Network and a trade ambassador, which puts her in the top ranks of CBP's industry advisers. "I'm in Washington at least one week each month, working at CBP headquarters," she says. Her group also monitors other potential sources of trade regulations, including the FDA and Congress.

As new requirements take effect, the vendors update the software accordingly. Because most GTM products are delivered over the Internet, updates are automatically available to users.

- Supply disruptions caused by delays. Shipment delays aren't just inconvenient; they can be costly as well. A holdup in customs, for instance, can lead to product spoilage and cut into profits, says Melissa Irmen, vice president of products and strategies for Integration Point, a GTM software provider. GTM software can help companies avoid holdups associated with regulatory compliance. For example, as part of an automation project, testing equipment manufacturer Teradyne began using Kewill's GTM software to screen its exports against denied-party lists. Now that it's using the software, compliance-related delays are a thing of the past, says Brian Amero, Teradyne's global compliance and regulatory affairs manager. "Prior to implementing the system, we were screening orders manually with very limited resources," says Amero. "We would attempt to review orders as close to booking as possible, but we might not get a chance to look at them until they were ready to go out." If a problem cropped up, the shipment would be placed on hold, sometimes at the last minute.

Now orders are electronically reviewed as soon as they're booked. If the system detects a potential problem, it alerts Amero's compliance staff and the appropriate sales administrator. The compliance team is prompted to screen the order again if there are any significant changes to the order. And because denied-party lists change frequently, Teradyne checks one last time before it releases the order for shipping.

Since Web-based GTM systems allow users to exchange information with supply chain partners, they can help assure regulatory compliance almost anywhere in the world. That's why Teradyne uses its GTM software to manage orders shipped from a plant in China. "Most of our products fall under U.S. jurisdiction, even those we ship from China. But asking someone in China to understand U.S. export laws is not realistic," says Amero. "Kewill's [export compliance module] allows us to screen all of those orders." Software can also alert users when things don't go according to plan, so they can take corrective measures, says Bryn Heimbeck, CEO of Trade Tech, a company that provides Web-based trade management solutions. Suppose an exporter's trucker misses a pickup—an event that could set off a series of missed ship, rail, and truck connections. If notified of the problem promptly, the importer can make other arrangements to get the container on its way and avoid delays, he explains.

Some GTM packages can even help users evaluate the level of risk posed by delays and other problems. One such product is SAP's BusinessObjects Global Trade Services software, which now incorporates SAP's Risk Management application. The combined portfolio identifies "key risk indicators" (KRIs) and ties them to key performance indicators for a commodity or product. It then quantifies the financial consequences of those risks, explains Kevin McCollum, head of solution management for SAP's Global Trade Services Business Unit. For example, if a user has determined it will be unable to fill orders for a critical component if customs dwell time reaches two days, the software will begin sending alerts to the appropriate people as the delay approaches a day or a day and a half, McCollum says. "The system knows

that if you shut down that production line, it will cost X dollars in unfilled customer orders. It lets you decide where to focus your risk adjustment efforts."

- Gaps and inconsistencies in execution. In an international transaction, the failure of a single participant to perform as promised has consequences both upstream and down. That's why Integration Point and others integrate disparate partners' systems and processes. "It's important to streamline and ensure accountability of all the involved parties while ensuring the compliance, credentialing, and confirmation of all transactions," Irmen says.

GTM software can also help to ensure that each link in the supply chain does its part. A system that tracks whether a task has been completed, who completed it, what should happen next, and who's responsible keeps the international trade ball rolling, Heimbeck says.

One risk-related task that's often overlooked is the purchase of cargo insurance, which many people buy on a per-shipment basis. But doing that increases the chances that the shipper will get the coverage wrong or even forget to insure altogether, Heimbeck warns. Trade Tech's system addresses that problem by automatically sending shipment details to its insurance partner, Chubb Commercial Insurance, which then creates an insurance certificate. What's more, shippers that use GTM software—and can therefore document their shipments' chain of custody—may qualify for lower insurance rates.

Think globally, execute locally

In all of these examples, a single theme emerges: GTM software offers an effective means of minimizing supply chain risk because it permits centralized control of business processes that typically are decentralized.

The benefits of centralized control at an enterprise level are clear. "My mantra is 'think globally, execute locally,'" says SAP's McCollum. Operational details should not be managed globally, but managers should think about them that way, he adds. "You want a global strategy for trade compliance."

Not only does GTM software help companies maintain better control over their transactions, it also monitors the execution of those tasks and sends reports back through the supply chain for evaluation from the perspective of corporate strategy, McCollum adds. "How do you know you're executing against that strategy unless you cascade information down and get feedback at the local level? That's where the power of GTM comes in."