



# How to make the case

**For global trade management systems**

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When building your business case and corresponding ROI, you must look at the totality of your company's circumstances.

Trade & Customs Services

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**Remember that time when your goods were held at the port, and your staff rushed the paperwork to Customs, only to find you had declared an incorrect classification, valuation, or preferential origin? Or that time when a review uncovered systemic noncompliance errors that required a disclosure and payment of duties owed?**

**We do and would prefer not to see it again.**

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# Background

Historically, the trade function was viewed within many organizations as a cost center dealing with straightforward transactions staffed by reactive lower-level professionals who specialize in putting out fires.

Today, corporations have begun to shift their fundamental understanding of the trade function and its strategic purpose within the enterprise and have started looking at the trade process as an engine to drive cost savings, business efficiency, and compliance. The trade function has moved up the corporate ladder; its leaders have titles like vice presidents and directors. They have seats at the table steering a company's direction. In short, the trade function has made the switch from reactive to proactive.

But, moving away from a cost center and delivering on this strategic promise requires the right set of tools and a scalable model. A critical component of both is global trade management (GTM) systems.

# The basics of global trade management system return on investment

When building your business case and corresponding return on investment (ROI), you must first look at the totality of your company's circumstances. In other words, put yourself in the decision makers' shoes. What would capture their attention? Generally, we have seen a combination of the following approaches work successfully:

- 1. The GTM pays for itself.** This is the most common factor within business cases—looking at savings achieved by cutting internal, external, or information technology (IT) costs and increased savings by taking advantage of duty-savings programs (e.g., free trade agreements [FTAs] and foreign trade zones [FTZs]).
- 2. Efficiency.** By utilizing an automated system, you can save hours spent conducting manual non-value-added tasks. The time saved will allow you to focus on other important areas (e.g., identifying savings opportunities and focusing on regulatory complexity versus administrative activities). Although this factor on its own will generally result in a poor business case and/or ROI, combined with other elements, it can help round out your business case.
- 3. Scalability.** “We want to expand our business by 25 percent globally but do not have budget for additional head count.” Sounds familiar? Utilizing a system to move the focus from day-to-day compliance to “manage by exception” allows your company to scale up in size or out into other countries with limited need for additional resources. Depending on the size and nature of your company, this factor may be able to stand alone.
- 4. Risk avoidance.** By utilizing a GTM, you can help avoid the company's exposure to potential fines and increased duties. If the whole business case only involves risk avoidance, oftentimes, it will be rejected. The few times we have seen a business case focusing on risk be successful was when the company needed to respond to severe regulatory punishment (e.g., negative audit, consent agreement, significant penalties, etc.).

If unsure of which factors your decision makers would consider, it is OK to ask. Nothing is worse than spending time creating your business case only to find out it was “shelved” because it did not spark leadership's interest. For example, one of our clients said, “If the business case simply notes \$50M in savings, it will be rejected. In order to capture the executive's attention, the position needs to focus on our ability to scale globally, identify trade compliance costs proactively, and eliminate the possibility of trade compliance delays affecting our on-time delivery.”

## The KPMG LLP (KPMG) methodology for making a business case for GTM technology

Trade teams frequently need to make a business case for their technological needs. Budgets for GTM technology can come from many different places within an organization, and this depends on the reporting lines of the company in question.

There are usually three steps in this process of making a strong business case.

- **Step 1:** Identify specific process and efficiency gaps that would be best addressed with technology. Take into account not only the current state but also your enterprise's medium- and long-term goals and objectives. Trade automation is most efficient when there is an alignment with corporate initiatives around areas such as growth, cost management, compliance, and organizational structure.
- **Step 2:** Develop a business case. Be realistic about both the investment needed and benefits to be gained with automation. In most cases, this will come down to an ROI exercise, so it is critical to develop a quantification method for capturing benefits around areas such as lead times, broker fees, man hours per import transaction, reduced customs inquiries, reduced penalty assessments, reduced import duty payments, reduced broker fees, expansion of free trade agreements, and other special programs and redundancy reductions.
- **Step 3:** Secure corporate buy-in. In most cases, budgets needed to implement automated solutions will not be part of an annual trade function budget, or at least not to begin with. Therefore, preparation is critical—understand which groups within the organization will have a role in approving the project and start preliminary discussions early on in the process. The IT team is a critical part of this process and understanding their time line and road map is critical to planning and identifying the right timing for presenting your business case. Also critical is understanding tangent benefits for other departments, such as logistics, procurement, finance, indirect taxes, and others. Getting their support will be a big boost. Finally, develop a business case summary for management. When you do get the opportunity to present, chances are your audience will know little about the intricacies of import and export functions; therefore, being able to present a concise and simple message in management terms is important.

# GTM system ROI detailed considerations

As we mentioned, in order to build a business case and corresponding ROI, you must look at the totality of your company's circumstances. After identifying which factor(s) your decision makers will consider, you can start your research.

It is important to remember the standard buckets of functionality and conduct your fact finding accordingly. Specific for each of the GTM functionality buckets listed below, you should also consider:

- Internal people costs
- Internal IT costs
- External people costs (e.g., brokerage fees, consultants, outsourced functions)
- External IT costs (e.g., legacy GTM systems, classification tools, screening tools, etc.)
- Global extrapolation (e.g., in terms of countries, expected sales in volume or percentages)
- Known penalties or issues.

## 1. Classification

Requested information	GTM considerations
<ul style="list-style-type: none"> <li>— Number of materials or SKUs</li> <li>— Number of countries within scope</li> <li>— Enterprise resource planning (ERP) report: Material master by "extended plant"</li> </ul>	<ul style="list-style-type: none"> <li>— How many countries are you classifying products in?</li> <li>— How are you determining which staff members classify which materials?</li> <li>— Are you reclassifying the same products or types of products locally or globally?</li> <li>— Are the research materials required to classify products located in various areas?</li> <li>— Can you leverage other countries' classifications and/or research?</li> <li>— How do you maintain classification support?</li> <li>— How are you auditing your classifications?</li> </ul>

## 2. Sanctioned party list screening

Requested information	GTM considerations
<ul style="list-style-type: none"> <li>— Number of customers</li> <li>— Number of vendors</li> <li>— Number of contact persons</li> </ul>	<ul style="list-style-type: none"> <li>— Are you manually screening parties today?</li> <li>— Are you screening customers <b>and</b> vendors?</li> <li>— Are you blocking transactions that have sanctioned parties?</li> <li>— How many departments are affected by screening holds?</li> <li>— What escalation procedures are required?</li> <li>— Do your screening settings match the number of people who can review “hits”?</li> </ul>

## 3. Legal control (e.g., export licensing, participating government agency controls, etc.)

Requested information	GTM considerations
<ul style="list-style-type: none"> <li>— List of controlled items (e.g., non-EAR99 classified items)</li> <li>— Number of global export licenses</li> <li>— Other global import and export partner government agency (PGA) considerations</li> </ul> <p>Note: The documentation associated with PGA will be a part of the record-keeping module.</p>	<ul style="list-style-type: none"> <li>— How do you maintain licenses today, locally and globally?</li> <li>— How complex are your licenses and/or PGA requirements?</li> <li>— Are you blocking shipments proactively if your license cannot “hold” the entire shipment?</li> <li>— How are you tying your classification and license procedures together?</li> <li>— Do you have harmonized procedures globally for licenses?</li> <li>— Do you have visibility into the global status of export licenses?</li> </ul>

## 4. Free trade agreements (FTA)

Requested information	GTM considerations
<ul style="list-style-type: none"> <li>— Number of import and export FTAs utilized</li> <li>— Total global savings</li> </ul> <p>Note: It is beneficial to use your import and export data to calculate the total FTA savings and missed opportunities.</p>	<ul style="list-style-type: none"> <li>— FTA functionality can be broken down as vendor qualification, preference analysis, and customer issuance</li> <li>— Does your company rely on FTA from a cost savings and/or sales perspective to stay competitive?</li> <li>— How many people are assisting with the FTA process?</li> <li>— Are you qualifying <b>every</b> product or on an ad hoc basis?</li> <li>— Are you making any assumptions when conducting preferential analysis? For example, in the European Union using one FTA and assuming all others have the same rules of origin.</li> </ul>

## 5. Import and export filing

Requested information	GTM considerations
<ul style="list-style-type: none"> <li>— Number of import and export FTAs utilized</li> <li>— Total global savings</li> </ul> <p>Note: It is beneficial to use your import and export data to calculate the total FTA savings and missed opportunities.</p>	<ul style="list-style-type: none"> <li>— Filing functionality could also consist of broker filing versus filing with a customs authority</li> <li>— How are you currently sharing with the broker classifications, origin determinations, etc.?</li> <li>— Has broker error caused the company increased compliance risk?</li> <li>— How complicated are your classifications, valuation, origin, PGA requirements, etc.?</li> </ul>

## 6. Forms and record keeping

Requested information	GTM considerations
<ul style="list-style-type: none"> <li>— Global import and export forms whereby trade compliance is responsible for generation and review</li> <li>— Example forms: CBP Form 7501, export filing, commercial invoice, PGA documentation, transactional preferential documentation, nonpreferential documentation, shipper's letter of instruction, etc.</li> </ul>	<ul style="list-style-type: none"> <li>— In case of inquiry, how quickly can you obtain transaction documentation globally?</li> <li>— What are the record-keeping violations within each country for missing supporting documentation?</li> <li>— Are you conducting a check to ensure the customs documentation matches its corresponding supporting documentation?</li> <li>— Given the previous buckets, what additional documentation is required in order to support certain claims to customs (e.g., FTA, PGA, etc.)?</li> </ul>

You may also want to consider functionality surrounding FTZs, inward/outward processing relief, workflow process, duty drawback, and first sale for export.

It is also important to remember the "system build" portion of a GTM project.

Requested information	GTM considerations
<ul style="list-style-type: none"> <li>— Number of ERP systems and/or instances</li> <li>— Material types (e.g., finished goods, raw materials, etc.)</li> <li>— Partner types (e.g., customer, vendor, etc.)</li> <li>— Inbound documentation types (e.g., purchase order, goods receipt)</li> <li>— Outbound document types (e.g., sales order, outbound delivery)</li> <li>— Payment types</li> </ul>	<ul style="list-style-type: none"> <li>— How many interfaces do you need to build?</li> <li>— For your GTM functionality, do you need all ERP data outlined in the left column or only certain items?</li> <li>— Does your IT department prefer "in-house" or service-as-a-solution (SAAS) based solution?</li> <li>— Do you need to also purchase content? Do you need your own developer resources?</li> </ul> <p>Note: Interfaces may consist of both your ERP system(s) and external partners (e.g., customs brokers).</p>



# Putting the GTM ROI together

Below are some examples of successful GTM ROIs:

- 1. Maximizing preference savings.** A client was only declaring 5 percent of North American Free Trade Agreement savings due to limited resources. After calculating the duties, taxes, and fees paid, the company was missing out on \$5M in savings. In this case, the implementation costs were offset within the first year.
- 2. Keeping the customs broker in check.** A client had a large volume of entries, a complex computed valuation for certain imports, and was continually seeing manual mistakes from the broker resulting in Customs inquiries. However, the client had no resources for additional head count and wanted to keep its broker due to their local relationships with certain ports. The client implemented import filing and forms functionality. Specifically, the GTM would create the customs forms with the correct information (e.g., classification, computed value, etc.) and send an electronic data interchange feed to the broker. The broker would then file with customs at a reduced cost per entry. The client saved roughly 50 percent of the cost per entry over thousands of entries per year and greatly mitigated the risk of data and valuation errors on the customs forms.
- 3. Removing pain points from the sanctions screening process.** A client had a decentralized screening program globally. Various departments outside of trade compliance—including master data, supply chain, and customer service—had significant involvement in the screening process. This led to various redundancies and inefficiencies across the company. As part of the implementation of screening software, the client overhauled their process, reducing risk, creating efficiency, and allowing the company to continue its expansion into new markets without requiring additional head count. Specifically, all screening activity shifted to trade compliance, creating a system of record to eliminate redundancy. The trade compliance team also leveraged its global staff to review all “hits,” with each region having a specific time slot to conduct their review. Using this structure, the workload became balanced, eliminated other department’s involvement, and saved roughly 4,000-plus hours annually.





**4. Responding to a negative audit.** A client recently had a negative FTA audit, resulting in a large disclosure. In order to avoid further compliance risks, the client needed to implement a comprehensive FTA solution. Locally, the client had very limited funding for such a project so the issue was escalated to global headquarters. The business case documented the local fines and exposure, which was extrapolated on a global scale. Understanding the risk, the client's headquarters approved additional funding and allocated the costs under "IT-related" as long as the GTM could be scaled on a global level to avoid any further fines and exposure related to FTAs.

**5. Going global, acting local.** A client had rapid growth, expanding both locally into new products and globally into over 20 countries. During this expansion, various personnel were hired and "Band-Aid" solutions were implemented locally to not impede day-to-day business. Trade compliance leadership knew that the "Band-Aids" would not keep the business moving forever. Upon further review, various areas were discovered that could be used within the GTM ROI.

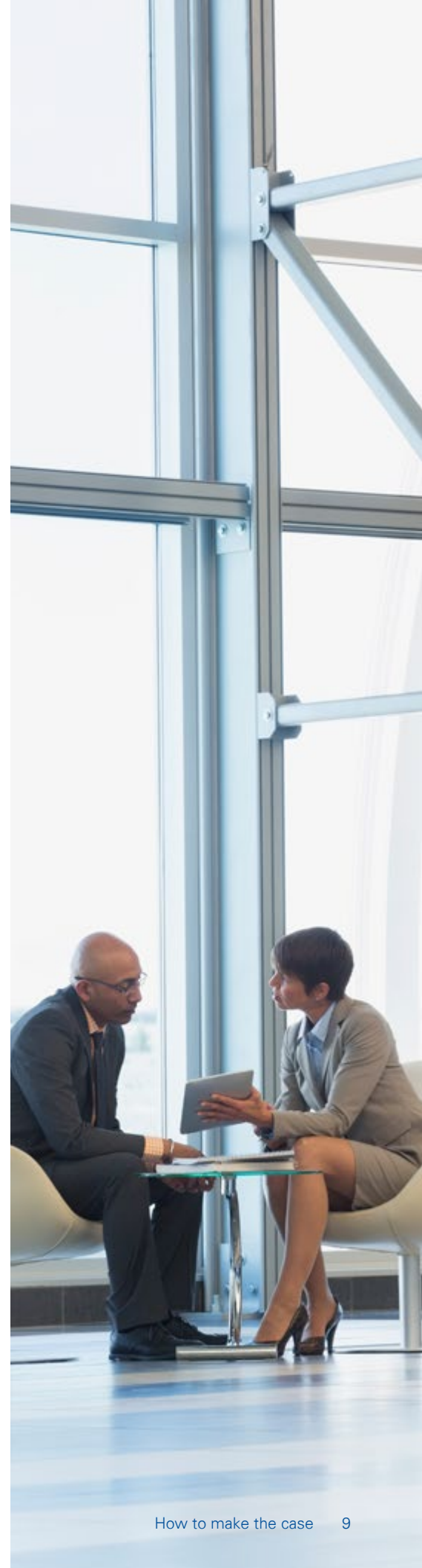
- 1) Products were being classified and reclassified between various business units and countries.
- 2) Limited FTAs were claimed due to the company's inability to support the claims.
- 3) For the FTAs claimed, limited support was obtained, jeopardizing the savings required to cover their low margins.
- 4) Export screening was conducted repeatedly, for no reason, causing supply chain delays.
- 5) Decentralized data became an administrative burden to locate and centralize.
- 6) The company was avoiding selling certain products because they knew they could not support the export control requirements.
- 7) PGA controls were occurring at the transactional level versus proactively at the time of the material creation.
- 8) Customized solutions were implemented to double-check the customs brokers' work and digitally receive records. However, these solutions were never updated as the company began to utilize various customs programs (e.g., first sale, FTZ, etc.), resulting in large-scale errors.

The combination of all these items, plus risk of failed audits globally resulting in negative publicity, and necessity to have accurate total landed cost and shipment time estimates resulted in a positive business case and ROI.

# Conclusion

Trade compliance professionals have one chance to pitch a GTM system. By putting yourself in the shoes of your audience and utilizing the details outlined above, you can cater the business case and corresponding ROI to compel the audience to say “yes.”

Rise above the day-to-day trade compliance tasks and build something great for your company. What will your legacy be?



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