Valuing global trade automation

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WHITE PAPER

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Today, global trade equates to change, uncertainty, and disruption. With trade issues dominating the headlines and resulting in regulatory volatility, global trade professionals at multinational companies are challenged like never before. From gathering, consolidating and interpreting data from disparate sources to dealing with regulations that are increasing at a relentless pace, it may seem impossible to create a sustainable structure that best leverages internal and external resources. To rise to these challenges, many organizations are moving away from the manual processes and disparate solutions of years past and instead looking for an enterprise best-in-class solution that automates and streamlines global trade processes.

While those of us who are deep in the day-to-day complexities of global trade understand the transformative benefits of automation, your senior leadership team may need some convincing—especially if you are looking for budget dollars.

So, how do you make the business case for the funds you need to invest in global trade automation?

1. Understand the benefits

At a high level, global trade automation involves automating the entire lifecycle of the global trade function across the supply chain to significantly reduce indirect transactional taxes while improving operating efficiencies and gross margin. Most trade compliance departments are riddled with time-consuming, error-prone manual processes, including import and export documentation, origin determination for preference programs, and classification processes that drain time and resources across the globe. They also lead to shipping delays, compliance violations, and poor visibility. If your company is still relying on manual processes and spreadsheets or disparate best-of-breed solutions that only handle one aspect, such as HTS classification or FTA qualification, you are likely facing a significant lack of checks and balances, the inability to make timely decisions based on reliable reporting and analytics, as well as costly regulatory errors.

In most organizations, trade touches nearly all strategic operations, indirect taxes such as customs duties and import/export VAT, and supply chains. If you look across your company, you'll likely find that many critical functions have a dependency or touchpoint related to global trade activities—and many of these departments have already spent significant dollars automating their own processes. Why should the global trade function be any different?

Global trade touches critical strategic and value chains

Research & Development	Sourcing & Procurement	Business Partner Management	Manufacturing & Inventory	Maintenance & Engineering	Customs & Clearance
Warehouse Management	Sales Management	Order Management	Logistics	Customer	Finance AP/AR

Before you approach your senior leadership team with the request to implement a global trade automation solution, it's important you understand the benefits inside and out, so you can align them with the strategic priorities set by your C-level leadership and approved by your Company's board of directors.

There are many ways global trade automation can mitigate risk, lower cost and increase value. More importantly, an enterprise global automation system can help company leadership achieve their strategic priorities. As such, how the quantifiable cost measures, as well as qualitative risk and value aspects of global trade automation correlate to an organization's strategic priorities should be incorporated into your business case.

Why automate the global trade function?

Risk / Value / Cost

- Comprehensive and continuous compliance management and monitoring
- Proactive identification of potential compliance risks
- Improved automation, integration and visibility across manual and fragmented global trade activities and processes
- Improved productivity, efficiency and visibility into compliance exceptions, enabling resources to focus on more strategic aspects of the business
- Follow the best-in-class lead on technology adoption — realize in-house technology can be a barrier to improvement

Risk / Value / **Cost**

- Reduced customs fees, duties and taxes
- Reduced service provider fees and accessorial charges
- Reduce total cost of ownership for automated systems and processes
- Elimination of duplicate and fragmented cross-border trade activities
- Reduced level of effort associated with performing global trade management activities

Risk / **Value** / Cost

- Improved alignment to the objectives and strategy of the business
- Ability to centralize/decentralize global trade management operational and compliance activities across organization and technology platforms
- Increased integration and coordination among business, IT and compliance
- Sustainability of global trade management and cross-border trade processes
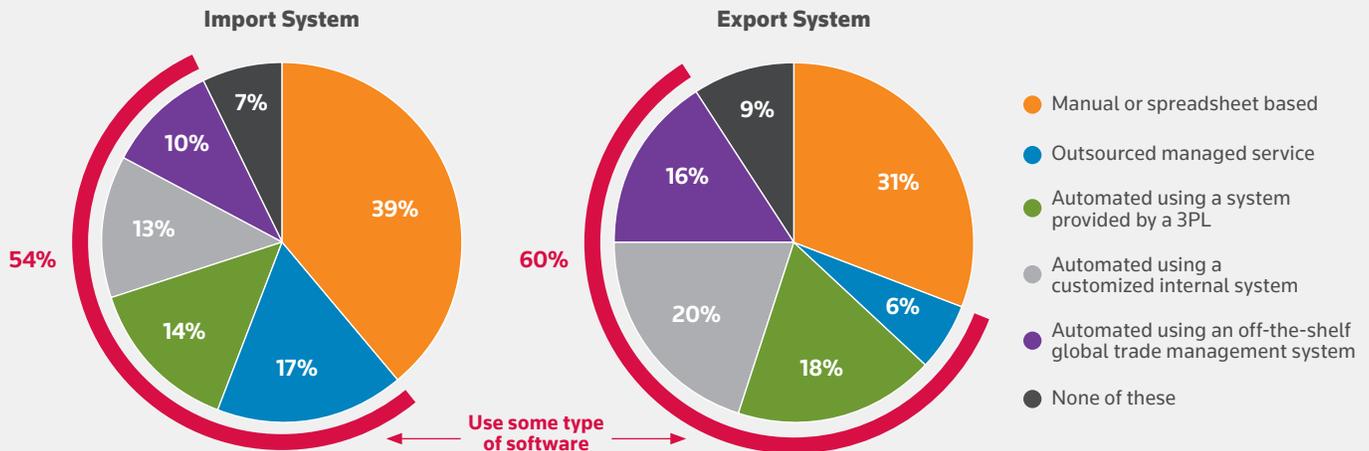
2. Speak to the pressures of your audience

When it comes to building your business case, the importance of drawing comparisons between the benefits of global trade automation and the strategic priorities of your organization cannot be overlooked. Whether you are making the business case to your CEO or IT Director, it is critical to "speak their language" and connect global trade automation to their top goals.

Understanding management, shareholder and stock analyst pressure

Greater customer service	Faster delivery time	Entering new markets	More products
Expand e-commerce	Growing global operations	Increasing M&A	Improving gross margin
Better visibility	Faster landed cost results	Better admissibility information	Winning the talent war

Many senior executives will also be curious about third-party benchmark data and what other companies are doing in terms of automating global trade and how it is benefiting them. Quantifying the benefits of automation and how it can help your organization become more efficient and save money in comparison to competitors is a key piece of your business case.

How does your trade department compare?

Import System

39%
17%
14%
13%
10%
7%
54%

Export System

31%
6%
18%
20%
16%
9%
60%

- Manual or spreadsheet based
- Outsourced managed service
- Automated using a system provided by a 3PL
- Automated using a customized internal system
- Automated using an off-the-shelf global trade management system
- None of these

Use some type of software

Source: *American Shipper,* Import/Export Compliance Benchmark Study, May 2017

Comparing companies who utilize global trade automation to those that don't

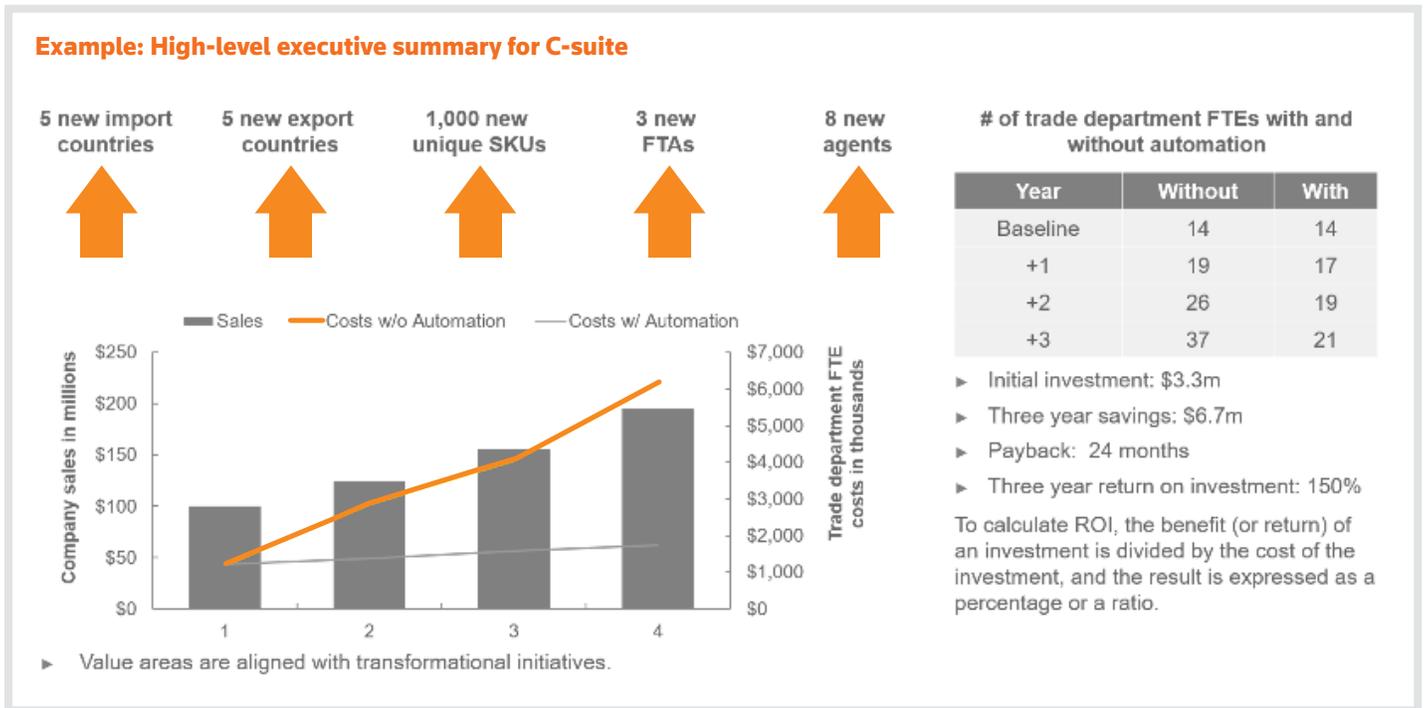|	Best in class	All others
Percentage of perfect orders received from international suppliers	89%	30%
YOY change in percentage of average trade compliance costs relative to declared shipment value	(4.80)%	18.8%
Change in total landed costs per unit of import/export handled	(6.30)%	11.7%

Source: Aberdeen Group, April 2017

3. Showcase ROI

Your business case is all about return on investment. Solution design workshops are the key mechanism to determine critical trade compliance business requirements and trade software requirements. These are the first steps to begin quantifying savings specific to your company. Here's how they work:

- **Existing process review:** Review existing or generate new process maps for key global trade processes.

- **Future state process review:** Generate new process maps for key global trade processes leveraging/optimizing the functionality and capabilities of the global trade automation system.

- **Quantify costs:** Quantify costs of each (manual non-automated process vs. processes using trade automation) including costs associated with software licenses, implementation, and sustainment.

- **Quantify benefits:** Identify and quantify financial benefit from automation across all areas of the global trade function within the supply chain.

- **Prioritize benefits** into agile sprints that show greater ROI from initial rather than later waves.
- **Agree upon the relevant use case(s)** to support the initiative and agree upon the business value that is being sought to gain support (and funding) for such a program within the organization.
- **Develop a formal ROI and business case:** Prepare executive summary for senior management (see example below).

Taking into consideration detailed metrics, forecasted growth and benchmark data, your company's strategic priorities can be further honed based on the ROI. In the example below, we see that while some functions, such as screening, will have a low return (i.e., no payback) on investment, others will have a very high ROI resulting in an overall enterprise project ROI.

Example: High-level executive summary for C-suite

5 new import countries	5 new export countries	1,000 new unique SKUs	3 new FTAs	8 new agents

# of trade department FTEs with and without automation

Year	Without	With
Baseline	14	14
+1	19	17
+2	26	19
+3	37	21

▶ Initial investment: $3.3m

▶ Three year savings: $6.7m

▶ Payback: 24 months

▶ Three year return on investment: 150%

To calculate ROI, the benefit (or return) of an investment is divided by the cost of the investment, and the result is expressed as a percentage or a ratio.

▶ Value areas are aligned with transformational initiatives.

The most important area to note in this example is the orange line which represents costs without automation. In this case, the organization simply cannot afford to achieve its strategic priorities without enterprise global trade automation. Can yours?

How EY and ONESOURCE™ support the business case for global trade automation

ONESOURCE™ Global Trade Management

- Import Management
- Export Management
- Streamlines the qualification process and minimizes time spent in determining qualification of managing FTAs
- Provides visibility of sourcing changes and BOM adjustments by engaging main stakeholders (internal and external)
- Maintains centralized location for all FTA record keeping (i.e. certificates, BOMs, qualifications, etc.)
- HTS Classification
- Systematic Origin Determination and Calculation
- Document Retention
- Denied Party Screening
- Automatic Solicitation of Suppliers
- CO/DO issuance of Upload within FTA tool
- Automatic Notice to Suppliers before Expiration periods
- Minimizes the use of Excel spreadsheets

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EY Trade Automation

- Business case and ROI advisory
- Enterprise project management services
- Trade software performance improvement
- Full implementation, configuration and programming services
- Interfaces to internal and external software systems
- Post-go live hyper-care support
- Sustainment and Improvement
- Benefits identification and management
- Blockchain feasibility and pilots
- Robotic process automation

EY Shared Services

- Multilingual 24-7-365 coverage
- Follow the sun locations in:
  - Argentina
  - India
  - Philippines
  - United States
- Services Offered
  - HTS/ECCN classification support
  - FTA qualification and solicitation
  - Restricted-party screening

About EY Global Trade

EY's Global Trade Automation services are scalable, from maximizing internal resources and software to implementing a suite of new initiatives. Global Trade Automation is led by EY's Global Trade professionals many of whom are ONESOURCE™ Certified Implementers.

We help clients by providing:

- Vendor-agnostic business case development
- Software selection and development of organizational target operating model
- Full application lifecycle support and process implementation
- Training and go-live support
- Enterprise project management
- Post-implementation sustainment
- Follow the sun managed services for HTS Classification, FTA Qualification and real-time Restricted Party Screening

Our Global Trade Automation services team includes more than 750 member firm professionals with experience in more than 140 countries. Together they offer a multidisciplinary approach. With backgrounds in tax, technology and international trade regulations, we have the global knowledge to help clients wherever they do business.

About ONESOURCE Global Trade Management

ONESOURCE Global Trade Management is a trade automation solution providing a single global interface that simplifies your global trade compliance, while also providing senior management with a global view of your trade compliance operations.

This comprehensive global trade management solution is designed to help multinational corporations increase efficiency, reduce costs, manage risk, and seamlessly meet compliance regulations. Built with world-class technology and backed by leading industry experts, ONESOURCE Global Trade serves more than 700 companies worldwide and offers an integrated software solution for operating, controlling, and managing key foreign trade functions.

Business benefits: Be compliant, minimize risk

- Avoid supply chain delays and overpayment of duties
- Decrease the likelihood of penalties and customs audits with correct, automated product classification
- Protect your company reputation and avoid export sanction violations, penalties, and loss of export privileges through automated screening of customers and suppliers
- Lower the cost of goods sold and become more cost-competitive in the global marketplace by taking advantage of duty savings opportunities such as free trade agreements and foreign-trade zones
- Use advanced analytics to gain visibility into your trade compliance operations, identify potential risk factors, and evaluate strategic savings opportunities
- Minimize the impact on your IT infrastructure and IT investment with a cloud-based solution
- Directly file with government agencies around the world to improve the quality and speed of customs communication
- Manage risk with internal assessments and security programs such as CTPAT, PIP, AEO, and OEA
- Leverage a shared, cloud-based environment to manage your trade compliance operations and connect with partners across the globe
- Access the most up-to-date regulatory information available for 210+ countries and territories
- Easy integration with leading ERPs, including certified links with Oracle, SAP, and others

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