



GTM Solutions: Making a World of Difference

By Gary Wollenhaupt

How Global Trade Management (GTM) solutions automate complex international supply chain sourcing, logistics, cross-border trade, and regulatory compliance activities.

If your company imports or exports physical goods or digital products, or conducts global e-commerce, there's an excellent chance you need a global trade management (GTM) system.

During the middle of 2016, the world's 20 major economies implemented an average of 17 trade constraints monthly, reports the World Trade Organization. At least one dozen agencies in the United States alone implement trade embargoes against approximately 30 countries. The United States also imposes list-based sanctions in response to terrorism, diamond trade controls, narcotics, nuclear proliferation, and transnational criminal organizations. Add to that an ever-changing list of tariffs, involving not only the United States but also between other nations involved in their own trade disputes. Penalties for non-compliance range from a low five-figure slap on the wrist to fines big enough to get the attention of the largest multinationals.

Some companies--surprisingly, many large ones--try to manage global trade and logistics manually, with staff poring over spreadsheets full of data. But the ever-expanding complexity of global logistics, and the risk of fines and other legal consequences, are driving growth in the GTM sector.

Robust GTM systems supplement or connect with existing enterprise resource planning (ERP) systems, transportation management systems, or other logistics systems to ensure that outbound sales and/or inbound materials do not run afoul of trade restrictions from any country involved. They also apply tariffs, customs duties, and other expenses to provide a full landed cost for a product.

In short, a GTM solution automates complex international supply chain sourcing, logistics, cross-border trade, and regulatory compliance activities. A holistic, end-to-end GTM solution combines sourcing and logistics, plus content, to manage risk through proactive collaboration and improved efficiencies across the entire supply chain.

Typically, a GTM solution consists of modules that support global trade; the scope of a company's trade flow indicates which modules it requires. Typical core modules include:

- Product Classification
- Free Trade Agreements (FTAs)
- Restricted Party Screening (RPS)
- Import
- Export
- Special modules, such as Foreign Trade Zones

IT giants SAP and Oracle offer GTM solutions, as do more specialized vendors such as Amber Road, GT Nexus, Descartes, QAD Precision Software, Integration Point, Blinco Systems, and Aptean TradeBeam. (*For a guide to some leading GTM solutions, see pages 66-67.*)

A number of providers, including Amber Road and Aptean TradeBeam, offer cloud-based SaaS applications, while others install the software locally.

CONTENT IS KING

It's important to note that a GTM solution is only as good as its content—the lists of trade agreements, tariffs, restricted parties, restricted products, and other information that form the core functions of the GTM process. Some GTM providers outsource content collection and management, while others have in-house departments that keep the lists up to date. One benefit of a cloud-based solution is automatic, behind-the-scenes updates.

For example, Amber Road, an East Rutherford, N.J.-based provider of cloud-based GTM services, manages more than 350 trade restriction lists from more than 150 countries. In 2016, it performed approximately 16 million updates to its database.

"But there's more to it than that," says Chief Product Officer Nathan Pieri. "You also have to know how to classify your goods, the licensing regulations, the admissibility requirements for imports, the duty rates associated with those transactions, and preferred duties or special trade programs associated with a free trade agreement.

"If you had to do that manually, it would take one or two weeks to figure out, and then several hours for each transaction," he adds.

A GTM solution tied in with an ERP or e-commerce platform can review a transaction basically in real time. Take, for instance, a customer in the UK who has ordered the latest designer athletic shoes available only in the United States.

"The list price for the shoes might be \$130, but they cost the online vendor \$190 to the customer's doorstep. The vendor can use a GTM solution to provide a total landed cost calculation," says Anne van de Heetkamp, director of the TradeBeam product line for Aptean.

Any company doing business internationally should use some form of GTM solution to reduce the risk of compliance violations and improve supply chain processes. The first international shipping requirement is usually for restricted party checking prior to shipment, which serves both internal and external customers. Some Aptean users perform only 150 restricted party checks per year, while others, such as software vendors offering digital downloads, perform millions of checks annually.

"Restricted party screening has to be done within seconds or customers will just leave their shopping carts," says van de Heetkamp. Internally, sales staff will want to know right away if an inquiry or order comes from a restricted party so they don't waste time pursuing the transaction.

Typically, the need for a GTM system becomes apparent as a company's international shipments grow, organically or through acquisition. "Companies with a growing volume of exports can't afford to have a person in the shipping department spend a couple of hours on each transaction," Pieri says. "When companies acquire other companies with international operations, it's important to have a centralized process to maintain the proper controls."

A GTM system should provide an audit trail for changes to the data for managing compliance, a function that's difficult to replicate in a homegrown system.

"If an employee approves a potential match for a denied party, or reclassifies a product, you want to make sure that you have a full record of what the changes were and who made them," says van de Heetkamp.

In companies with growing international business, there comes a point where "they fundamentally cannot keep up with the paperwork," Pieri says. "With manual processes, they typically are always cutting corners and finding that they are not as compliant as they thought they were."

In 2014, Oracle worked with Cummins Diesel to implement a GTM solution for its international business. In its first year of use, the system screened 2.4 million parties and classified 394,000 items, according to an Oracle presentation.

GTM BUSINESS BENEFITS

Adding a layer of digital discipline to international trade can unlock the potential for revenue growth or cost savings. For instance, Toronto-based GTM provider Livingston International says it saves \$2 billion annually in duty overpayment for its top 10 clients.

By implementing Thompson Reuters' *Onesource* GTM solution, construction equipment manufacturer Komatsu do Brasil Ltda slashed customs brokerage expenses and reduced import lead times by 30 percent. The trade system integrates import tolls with Komatsu's ERP system and web-based tools, which allows international customers to upload invoices on the website.

Onesource generates all import declarations, domestic invoices, and state tax collection slips with little manual input. The export tool fully integrates with the company's ERP system so it issues sales orders and domestic invoices, as well as generates export registrations, export clearance declarations, and other customs clearance documents. The GTM can help apparel importers take advantage of free trade agreements for lower duty rates, for example.

Technology companies may have to be more concerned about who they're selling to, and if they have a license to ship the goods. "These transactions are tied to revenue as well, because a company has to be able to do all the compliance checks rapidly so it doesn't hold up revenue at the end of the quarter," Pieri says.

The goal for any global trade management system is to reduce the risk of non-compliance and boost supply chain efficiency for companies and customers alike. With the government's growing focus on cross-border transactions of all kinds, it's critical for companies with an international presence to understand their role.

"It's important to understand that importing and exporting is a privilege, it's not a company's right," says Pieri. "You have to demonstrate reasonable care."

GTM 'Must Haves'

Choosing from among the many global trade management (GTM) offerings can be confusing. What features does your company need, and what can you do without? Here's a list of necessary and optional features to help you analyze the GTM options on the market.

Must haves:

- **Supplier management:** Easy interface to manage suppliers.
- **Transportation management:** Database of freight rates for use in insurance, landed cost, freight audit, and days in inventory calculations.
- **Booking functionality:** Ability to book cargo with transportation providers.
- **Event management:** A network with a data quality layer to provide in-transit visibility and management.
- **Compliance content:** Understands changing government regulations.
- **Analytics and reporting:** Decision support.

Nice to have:

- **Foreign Trade Zone management:** Not every company needs it.