

Using Trade Data to Identify Risk & Opportunity

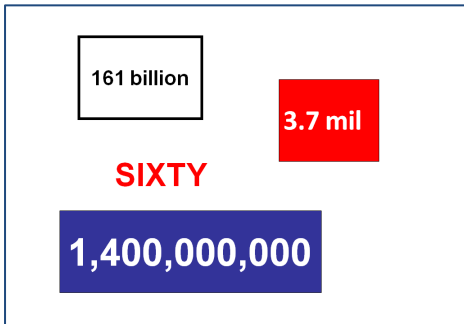
Executives and trade professionals can and should use business information to outthink rivals, and there's no better way to out-think them than by using analytics to make superior decisions. This is a direct quote from one client after a review session with the trade reports we processed on his import and export data. Just imagine your leadership saying this to you?

“this is staggering information”



In the absence of reliable data, executives and trade professionals often make bad decisions by default. One trade professional could not get approval for a \$20,000 project to identify import duty mitigation solutions that could return millions of dollars annually to the bottom line. However, her leadership continues to blindly spend \$20,000,000 every year on import duties.

Poor business processes, and other hidden costs are often un-noticed, over-looked or even ignored during periods of economic prosperity. During down-cycles such as we are in now, successful leaders must invest limited capital carefully on targeted projects that return the biggest bang for the buck. Best-in-class global trade analytics can help you gain the visibility needed to make superior decisions in these tough times.



The data specialists at Global Data Mining have worked with many trade experts over many years of R&D to create the largest and most powerful repository of enterprise-wide trade data analytics available in the United States. It's like having a network of trade professionals working continually to improve the performance metrics used to evaluate your import and export supply chains.

Our team has analyzed more than \$161 billion of import and export data, more than 3 million entries or SED's and identified more \$1.4 billion in potential savings with nearly 60 enterprise-wide trade reports.

Reliable trade analytics requires company specific data such as the transactional data captured by CBP for imports (called **ITRAC**) and the US Census Bureau for exports (we've named it **ETRAC**)... If you Google “ETRAC data” or “ITRAC data” you'll find links to our web-site that'll lead you to free online requests templates to help you easily acquire your transactional data.

Your transactional data can be obtained with minimal cost and effort and can be used to provide comprehensive analytics of financial opportunities and risks in your company's global trade operations.

We integrate your transactional data with the most comprehensive sets of global trade data, best-in-class technology, and best-practice analytics focused directly on your business to identify and quantify opportunities, and help your company achieve measurable results. Your company's trade data is acquired, processed, organized, and delivered into targeted reports.

The reports provide powerful visibility and insight, giving you a long overdue deep view into your supply chain risks, hidden costs and financial opportunities. If you're familiar with the ACE portal reports, you can think of this as **ACE on steroids**, and CBP cannot see your results with our approach.

	Count	Gross Price	Bundle Price	Savings	Total
Financial Statements	0	\$0	\$2500	\$0	\$0
Red Flags	0	\$0	\$1500	\$0	\$0
Export Summaries	0	\$0	\$3000	\$0	\$0
Operations Reports	0	\$0	\$3000	\$0	\$0
Screening Reports	0	\$0	\$0	\$0	\$0
Customization	0	\$0	\$0	\$0	\$0
Totals	0	\$0	\$0	\$0	\$0

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Our reports, called **Xtreme Trade Intelligence™** Reports, have been designed by trade professionals for trade professionals. They have been vetted and approved by your colleagues and are continually improved upon through our continuous R&D efforts. The trade itself is our quality control system.

A few years ago, an Aberdeen analyst named Beth Enslow and I conducted a research project for the International Compliance Professionals Association (ICPA). Five Fortune 500 companies gave us their US import data to analyze for effectiveness regarding trade agreement management, sourcing opportunities, FTZ opportunities, and supply chain finance strategies.

Our project revealed more than a half BILLION dollars in potential savings. Beth and I reviewed the results of each analysis with the global trade team from each company. One commented, "It's been a struggle to get this kind of information to our executives." Another said, "This is going to get a lot of people's attention... from the CFO down."

A major difference between us and ACE is we integrate your transactional data with other critical data to provide insights into your business you just can't get any other way. In the **Annual Summary Report**, we integrate your ITRAC data with the US tariff to calculate precisely how much you are saving your company using trade agreements and special preferences.

- It calculates the Actual Duties you paid... based on the ITRAC Data
- It calculates the Duties you would have paid from Column One in the US Tariff... the rate you pay without any Trade Agreements and Other Special Programs
- And it calculates the Actual Savings... to the penny!

This report was designed by a client nearly 4 years ago... He said it was the first time in his many years as a trade professional that he could measure the precise benefit his group was bringing to his company. How else can you possibly measure the benefit you're bringing your company?

In **Trade Agreement Competitive Analysis** report we integrate your ITRAC data with ITC data about every import into the United States to calculate precisely how you compare to your competition regarding the use of trade agreements and special preferences to mitigate duty spend. This report has two parts:

- On the left side is importer data summarized by HTS code with the average duty rate for each HTS. In the highlighted example, we see that the average duty rate for boys cotton knit shirts was 16.42%.
- On the right side of the report is data from all US importers summarized by the same HTS-10 with the average duty spend for all US importers. In our example, US importers have an average duty spend of only 13.30%. So this importer is operating at a competitive disadvantage of 3.13% when it imports boys cotton knit shirts.

With this report you can measure precisely how you compare to your direct competition regarding the use of Trade Agreements and Other Special Programs to reduce duty on US imports. One client had a \$57 million opportunity in this area alone?

Do you know how stack up against your competition?

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In the **Sourcing Opportunity Report** we again integrate your ITRAC data with the ITC data to identify all the countries the US is importing your products from, the total values imported from each country, and the effective duty rate paid for the imports from each country. This report is organized by HTS code. You can see our example is 9405.10.6010.

- On the left hand side of the report is the data about the importer. They imported \$206 million and paid more than \$15 million in duties for this HTS-10, an effective duty rate of 7.6%.
- On the right hand side is data from all US importers for this HTS-10, detailed by country. All US companies imported \$984 million. Most imports in this group came from China and carried a 7.59% duty but some companies imported from Mexico, Canada, the Philippines, Egypt and Romania virtually duty free.

Now we know two things. Each of the highlighted countries has a trade agreement or special preference providing duty-free treatment AND they each have companies producing and shipping this classification of product to the US. If you are operating at a competitive disadvantage, this report can help you target specific countries for potential alternative sources of supply.

We have two strategic partners that can even help you identify the actual suppliers in these countries. Your sourcing department would save a lot of time with these reports. They'd focus their time and attention in those specific areas that can have the most significant impact for your company.

In the **SPI Exception Detail Report** we apply exception auditing logic to analyze your ITRAC data in order to identify groups of entries from the same MID and the same HTS code but with discrepancies in the SPI field.

The detail of this report is grouped by supplier as defined by MID and by HTS code, the first two columns from the left. The third column is the SPI indicator revealing that in all but one instance, this importer claimed GSP on its imports and did not pay duties, except on August 29, 2005 when it paid \$1,989 in import duty.

Using exception auditing we can identify the only 29 groups of MID + HTS combinations with inconsistent SPI's revealing a maximum potential savings of \$448,000 for this importer. This report is a huge productivity booster because it focuses your time and attention on only those entries that meet the exception you're auditing for, in this case inconsistent application of SPI.

This is not just a financial opportunity report; it is also a compliance tool. This group was identified because it inconsistently claimed the Civil Aircraft SPI and didn't pay duties on 3 entries.

The trade professional working these reports was shocked to find any "C's" claimed in her data. She wrote to me: "We've already contacted our broker and indeed they claimed "Civil Aircraft" on those entries in error. We are following up with our attorney to make a prior disclosure prior to our ISA audit. She continued and I quote, "Bottom line- These were not valid SPI claims.... Thank you!"

The **Foreign Trade Zone Report** uses your ITRAC data to calculate the precise financial benefits you would have received if you had operated your business in a FTZ last year... including:

- Broker fee savings... in this example of a \$100 million importer the broker fee savings was \$129k
- Merchandise processing fee savings: in this example: \$274k
- One-time duty deferral savings... in our example: \$900k...
- And re-export savings of \$250k...

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We partner with one of the leading FTZ experts in the US to identify other direct financial benefits that may include relief from inverted tariffs, duty elimination on waste, scrap, and yield loss, security and insurance savings, and inventory tax savings.

Our data mining experts analyze your data... quantify the opportunities... and then our FTZ expert identifies the required resources, internal or external, and quantifies the costs associated with setting up and operation each potential zone... creating a true ROI you can take to your leadership... In this example, the ROI provided \$1.2 million first year savings and more than a half a million dollars in on-going annual savings...



The **Trade Agreement Risk Analysis** report was designed by a trade attorney. She wanted to identify when an importer was unnecessarily claiming a trade agreement or SPI on low volume or low duty items creating unwarranted risk.

Let's drill down into the details of the Canadian NAFTA example where this importer saved more than \$3.5 million on 7,804 entries from Canada.

This report is grouped by trade agreement and special preference. Arranged by MID and HTS and in descending order by savings.

The top HTS code had savings of \$973,000 on 2,440 entries. At what point do you reach diminishing returns were costs exceed benefit? We identify all transactions saving the importer more than \$1,000 per year and all activity saving less than \$1000 per year. The results are quite alarming.

- The \$1000 plus group contains 5,693 entries saving virtually all the money... 99.92%
- But look at the amount of activity of the \$1000 and below group... more than 2100 entries from 34 different MID/HTS combinations, and with potentially hundreds of different products, all requiring well documented and qualified NAFTA certifications all for less than \$3000 in annual savings...

I imagine corporate counsel would rather pay the taxes and eliminate the risk of being busted by CBP for incomplete or incorrect NAFTA qualifications.

The **OGA Screening Report** integrates your ITRAC data with ABI data containing OGA flags for Animal & Plant Health, Department of Transportation, Federal Communications, Food & Drug, FDA Bioterrorism, Department of Agriculture, Fish & Wildlife, and Alcohol, Tobacco & Firearms. This report has two parts:

- On the left side is importer data summarized by HTS classification code with the value, duty and effective duty rate for each HTS.
- On the right side are the OGA flags from ABI... providing the summary data you need to make certain you are complying with these agencies regarding licenses, permits, etc...

Wouldn't this report make your job easier, and more effective...?

Let me bring you attention back to the ICPA project I mentioned earlier. Two other companies agreed to participate but failed to get their data to us on time. If their opportunities were the same as the average of the 5 participants, they would have more than \$1 billion in potential savings. Until their executives and trade professionals demand analytics and performance metrics, they'll continue forward completely unaware of these massive hidden costs affecting their bottom line.

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How large is the opportunity for your company. One fast way to estimate is to multiply your total US import value times .92% and calculate the potential savings you would have if your opportunities were the same as the average of our 5 participants. If you like the answer you see, demand the analytics and performance metrics you need.

Import value * .92% = potential savings

Rigorous analysis of your trade data enables you to conduct a comprehensive and sober assessment. It helps you identify critical areas of risk and opportunity, and helps you assess each opportunity by defining the baseline, setting expectations for improvement, and creating the ROI justification to fund each project.

Bold leadership requires urgency. If you do not have the visibility you need for your US import and export operations, act now and begin an enterprise-wide process improvement program within your global trade operations. In this economic climate, can you afford not to act?

If you would like my detailed notes, a live demonstration, or if you just have questions, please send an email and I'll make all the arrangements for you. Thank you for your time and attention today, it was my pleasure to be with you.

Articles and References

1. New Classification System Helps Achieve True Compliance
2. An American Perspective on Global Trade Opportunities in Challenging Economic Times
3. Fines and Delays could hit US Importers Hard in 2010
4. Creating a Competitive Advantage in Global Trade
5. 10 minute, Using trade analytics to make superior decisions:
<https://www1.gotomeeting.com/register/554918041>
6. 10 Minute Executive Brief, Enterprise-wide trade data management:
<https://www1.gotomeeting.com/register/131618584>

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