



# Trends in global trade management



Advances in technology and the proliferation of smartphones have made it easier to spend money, leading to new consumer behaviours

# AEB's Claire Umney explores the significant growth in global exports and its effect on global trade management and supply chain dynamics

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## SECTOR HIGHLIGHTS

Supply Chain



Above: Claire Umney, General Manager, (AEB International)

Global exports have nearly tripled to \$18.3 trillion in 2012, according to the white paper 'The Changing World of Trade' by Cushman & Wakefield.<sup>1</sup> Even in 2010 and 2011, as economies faced challenges in recovering from the recession, global exports grew by over 20% per year. The white paper goes on to predict that global exports will reach \$45 trillion by 2021, due to a release of 'significant pent-up demand' experienced during the recent period of economic volatility.

This surge in global trade is being driven by unprecedented trends in technology, demographics, consumer demand and infrastructure. These in turn are completely changing the scope of work for global trade management; how it is viewed and more importantly, how it is executed successfully. It is important to understand how these trends affect global supply chain dynamics:

### • Changing consumer behaviour

Advances in technology and the proliferation of smartphones have made it easier to spend money, leading to new consumer behaviours. Businesses will have to adapt to this with multi-channel strategies. A customer may view an item online, then visit a store nearby to try it and purchase it online at a later date; putting pressure on the business to have products ready at multiple consumer touch-points. Consumers are also becoming more demanding. If they order a product online, they have specific expectations as to when the items are delivered.

### • Rising transportation costs

The increase in global trade, paired with rising fuel costs, is also putting more pressure on resources, with transportation costs becoming a key factor in decisions about where to establish factories and how much inventory to keep in stock. Already, businesses are considering when to change transport modes from costly air freight to cheaper options.

### • Improved global logistics infrastructures

Investments in infrastructure are focusing on improving links between transportation nodes in order to facilitate faster and cheaper deliveries, offering businesses more choices on how to deliver their goods to customers. A recent report by the World Economic Forum in collaboration with Bain & Co and the World Bank concluded that an ambitious improvement in just two sources of supply chain cost – border administration procedures and transport and communications infrastructure services – could increase global GDP by 4.7%.

### Global trade management requires new strategies

With increasing global trade and customer demands exerting such pressure on supply chain management (SCM), more businesses are looking to adopt sophisticated supply chain technology and improve sourcing strategies to reduce the risk of disruptions, minimise costs and remain competitive. Supply chain technology is no longer just used to keep the supply chain running, but has become an actual enabler of the supply chain, and a powerful tool to collate and analyse data to achieve end-to-end transparency, supporting informed decisions on the overall supply chain.

To meet changing channel and consumer demands, businesses are under pressure to constantly review and adapt their strategies. Deliveries are expected to become more localised to reduce the transit times of goods and to reach new markets. Consequently, the number of regional distribution centres will increase, leading to more suppliers and third party logistics providers than ever before. This makes communication, collaboration and visibility throughout the supply chain essential to ensure smooth global trading, customs compliance, timely deliveries and cost savings.

**What should you look for in an SCM solution?**

To efficiently master these global trade challenges and to capitalise on the phenomenal growth we've witnessed over recent years, businesses require a truly end-to-end SCM software solution, combining both logistics and global trade aspects in one suite. Special attention should be paid to three crucial areas:

- Automation: International transactions can involve over 20 parties and over 30 documents that need processing for various stakeholders. An integrated SCM solution automatically creates picking orders and shipping and customs documentation, and ensures compliance with license requirements. It performs restricted party address screening and other mandatory export control checks in the background, enabling logistics departments to focus on their core business.
- Supply chain visibility remains the holy grail of global supply chain management. Technological progress has made real-time visibility of shipments in transit, inventory levels, customs clearance results and overall status progress a reality, allowing better cost control and supply chain performance. A recent survey by Gartner established that over 30% of supply chain executives consider supply chain visibility and event management their top priority, followed closely by strategic sourcing.
- Data analytics allows businesses to gain a better understanding of themselves as well as the markets they operate in. In future, businesses will increasingly extrapolate data from their SCM solution to facilitate better planning, and to form statistical models to carry out scenario analyses, e.g. the implications of closing a large distribution centre in country A and opening two smaller distribution centres in countries B and C, or the advantages of working with carrier A instead of carrier B.



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**Get the best out of your SCM solution**

The most common reasons cited for an end-to-end SCM solution is the need for a common platform, process improvement, data visibility, reduced operating cost, increased customer responsiveness, and improved strategic decision making. Here are some best practices and pointers on how to use such a solution to its fullest extent:

**1. Don't forget the big picture**

The key to success is looking at the big picture: What are the key objectives? Why are we launching this strategy? What is the expected ROI? It is important to have a clearly defined scope of what to expect from an SCM solution, who is driving the programme and what resources are required. Failure to do so can lead to ambiguity as well as budget and time overruns. Businesses should work closely with their technology partners and have an open communication on what the entire process will entail.

**2. Integrate!**

Most businesses already have some supply chain software – e.g. transport or warehouse management – in place when they

decide to implement an end-to-end SCM solution. Integrating existing software, internal departments and external partners is no easy task and takes time, but is vital in order to achieve all benefits. And while it is important to have suppliers, carriers and partners on board, businesses will soon go one step further and look towards integrating with their key customers and retailers as well.

**3. Tear down silos through cross-functional integration**

Many businesses still operate in silos, which prevents supply chain collaboration, transparency and consistency. Critical information takes too long to reach the parties who need it the most and customer service suffers. Businesses would benefit significantly from enforcing the same levels of service internally as they expect from their suppliers and partners. This can be achieved through regular KPI meetings and open communication.

**4. Staff training**

Part of the challenge is to train employees on how the technology works, how it should be used, and most importantly, what benefit it will bring to their work. Often new



technology is not adopted because of the mentality that the old solution works and there is an established comfort level. However, communicating the flaws of the old system in comparison with the new system can lead to the successful and enthusiastic adoption of new technology. Training should also extend to how the new solution will help reduce complexity and cost in the supply chain as a whole, giving each employee a better understanding of their role in the entire supply chain process.

**5. Assess and reduce risk**

Once an SCM solution is set up, the next step is a thorough risk assessment to identify areas in the supply chain, where disruptions could bring things to a standstill. While it is impossible to remove risk completely or even predict disruptions, a business should be able to quickly prepare a Plan B. Regular training should be carried out to equip staff with crisis management skills. To further mitigate risk, businesses need processes in place to assess partners' service providers' and suppliers' performances and conduct general background checks.

**6. Optimise the supply chain**

Cost control remains a key challenge faced by supply chain managers. Visibility gained through an SCM solution will uncover many bottlenecks, showing the key avenues for optimisation that will make the supply chain more robust and reduce operational cost. This frees up manpower and enables teams to focus on their core tasks and on increasing efficiency.

**7. Study the data**

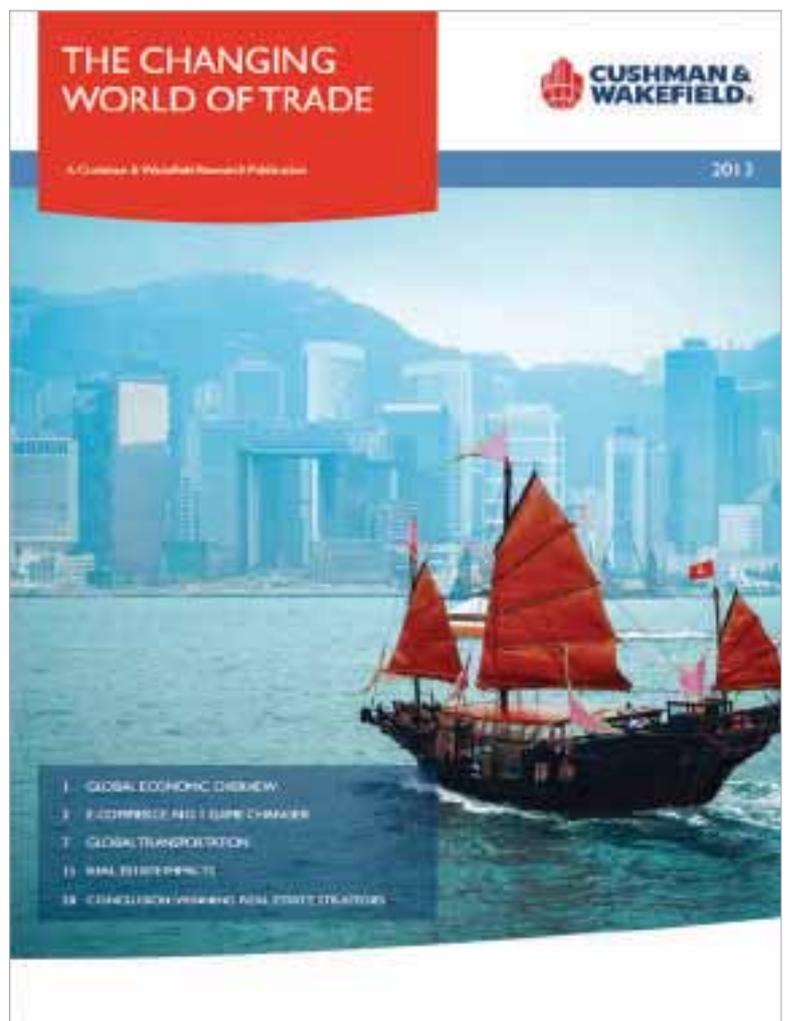
Many businesses fail to recognise that an end-to-end SCM solution also provides a continuous relay of information. The challenge is to make sense of this information. Some SCM solution providers are offering supply chain data analytic services and provide recommendations on how best to use the data to improve the supply chain comprehensively. As experts in supply chain management, they are perfectly suited to provide valuable insights on how a business should move forward, especially when it comes to transforming the supply chain, e.g. through setting up new distribution centres.

**8. Continuous improvement process**

In addition to monitoring the supply chain in real-time, businesses are well advised to carefully monitor the performance of their suppliers and partners. This will encourage the various stakeholders to collaborate and even improve their level of service to contribute to a well functioning supply chain. For example, if a supplier has continually missed delivery targets, it will be flagged in the system until the issues and solutions to rectify them have been discussed. With this as a basis, a continuous improvement process (CIP) can be implemented, not only externally with suppliers, but also internally to monitor their performance. Every link in the chain must be tightly integrated for overall success.

**Adapt to the market**

Global trade management is an ever-moving target, and market conditions are constantly changing. New considerations will come into play and new markets with unique features will open up. An SCM solution provides a platform for smooth and compliant operations from procurement to fulfilment, smart and agile decision making in order to reach existing and new markets quickly and successfully, and visibility and flexibility to take key supply chain decisions promptly, as requirements and strategies change and problems arise. These abilities will be critical for the successful global trade leaders of the future.



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**Reference**

1. [http://annualreview.cushwake.com/downloads/02\\_trade\\_white\\_paper2013.pdf](http://annualreview.cushwake.com/downloads/02_trade_white_paper2013.pdf)