

# GTM'S INS AND OUTS

THOMAS HALLIDAY talks about the trends in Global Trade Management (GTM) and how to get the best out of it.

Global trade has experienced unprecedented growth since China's joining of the World Trade Organisation in 2001. Global exports, which were then at a record high of US\$6.5 trillion have nearly tripled to US\$18.3 trillion in 2012, according to a white paper titled "The Changing World of Trade" released by Cushman & Wakefield. Even in 2010 and 2011, as economies faced challenges in recovering from the recession, global exports grew by over 20 percent per year, a growth rate that has averaged 9.5 percent for the past 63 years. The white paper goes on to predict that global exports will reach US\$45 trillion by 2021, due to a release of "significant pent-up demand" experienced during the recent period of economic volatility.

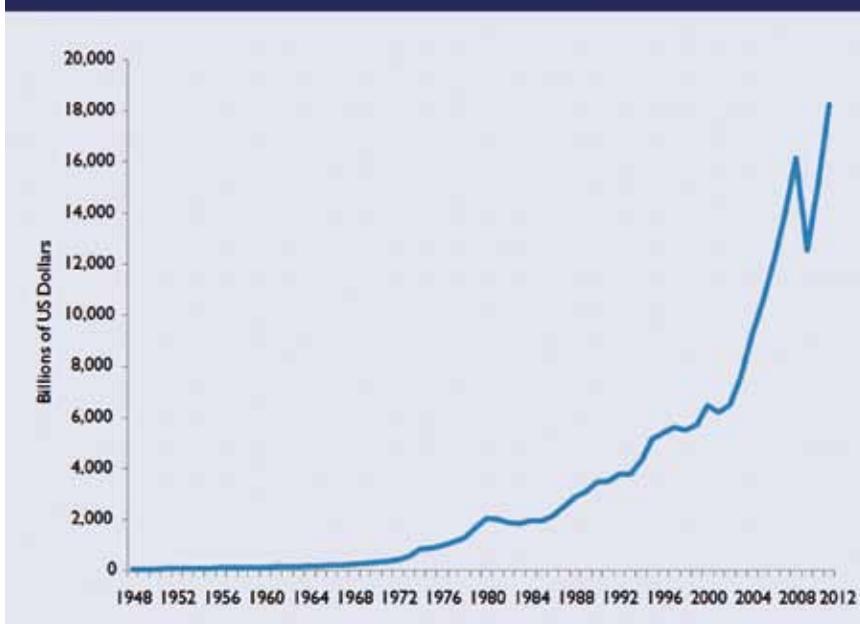
The surge in global trade is being driven by unprecedented trends in technology, demographics, consumer demand and infrastructure, which are in turn completely changing the scope of work for global trade management; how it is viewed and more importantly, how it is executed successfully. It is important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

## TRENDS IN GLOBAL TRADE MANAGEMENT

### 1. The Changing Face Of Consumer Behaviour

Advances in technology and the proliferation of smartphones across the world have given way to the rise of new spending and purchase behaviours as it becomes easier to spend money. Businesses are able to penetrate into multiple markets quickly, making their ability to deliver goods across multiple markets a key priority. We are entering an era where business will have to be present and sell products across multiple channels in order to be competitive, while ensuring that delivery is consistent across these channels. This puts pressure on businesses to constantly review their internal and external strategies in order to meet changing channel and consumer demands.

## WORLD GOODS EXPORT (1948-2012)



[ Global trade growth has averaged 9.5 percent from 1948 - 2012 with a dramatic upswing in the recent past. ]

### 2. Stress On Transportation Due To Rising Transportation Costs

With the expected increase in global trade and rising cost of transportation, especially fuel costs, ever-larger stress is being put on scarce resources in the transportation industry. Already, businesses are pulling deliveries from costly air shipments and sending them by ship instead. And ships are slowing down to conserve fuel.

This will lead to more localised strategies by global businesses where the average distance a good is transported will shorten in order to better meet customer demands with transportation costs becoming a key factor in decisions about where to place factories and how much inventory to stock.

### 3. Improvement In Global Logistics Infrastructures And Supply Chain Barriers

Globally (and especially in Asia Pacific), investments are being made to improve

infrastructure, especially at ports and railroads. A key focus of investments has been to improve linkages between transportation nodes, which will facilitate faster and cheaper deliveries with businesses having more choice on how to deliver their goods to customers. For example, China has launched several new high-speed railway corridors, as well as announcing plans to build large-scale network of railways and expressways, and develop distribution centres, ports and regional hubs to provide easier access to all towns and rural areas by 2015.

As a complementary effect to improvement in infrastructure investments, countries will work on improving supply chain barriers in order to attract higher investment and also boost their economies. A recent report by the World Economic Forum (WEF), in collaboration with Bain & Co. and the World Bank, concludes that an ambitious improvement in just two sources of supply chain cost - border administration procedures and transport and com-



[ A GTM solution automatically essentially frees up logistics departments to focus on more important tasks. ]

munications infrastructure services (with ambitious defined as all countries raising their performance in these two areas half-way to global best practice as observed in Singapore) could increase global GDP by 4.7 percent.

## GLOBAL TRADE MANAGEMENT REQUIRES NEW STRATEGIES

The trends highlighted clearly indicate the pressure increasing global trade will have on supply chain management. To remain competitive, businesses are adopting strategies to minimise costs by adopting supply chain technology and improving sourcing. These will in turn minimise the risks of supply chain disruptions and improve agility and efficiency. Businesses are already realising the impact a well functioning supply chain can have and are driving performance improvements.

Businesses will also begin to use supply chain technology not just as a tool to keep the supply chain running but also as an enabler of the supply chain, using information and analytics to really dissect data and make smart informed decisions on the overall supply chain. For example, a business may find that their transportation routes and modes are not optimal and can run models to choose the best way forward. This will also become a key factor in predicting and anticipating demand in order to get products to the customer as fast as possible. Also with the proliferation of mobile phones, not only has it become easier for the customer to shop online, but it has allowed businesses to receive real time information about their supply chain on the go, provided they have the technology infrastructure to enforce it.

In order to reach new markets, we anticipate delivery becoming more localised with the number of regional distribu-

tion centres increasing. This will result in there being more suppliers and third party logistics providers (3PLs) than ever before; necessitating clear dialogue and visibility throughout the supply chain for smooth delivery. We will also see new levels of collaboration in sharing assets to save costs. For example, retailers, suppliers and producers could work together to reduce the number of vehicles running empty (e.g. one way delivery versus two way delivery). Cost reduction, technology advancements and data analytics will continue to drive location decisions and supply chain design.

It is clear that global trade management requires businesses to adopt new supply chain strategies to capitalise on the phenomenal growth figures witnessed above in order to remain competitive. A truly end-to-end global trade management (GTM) supply chain software is required, one that gives as good as it gets in terms of automation, visibility and data analytics.

## WHAT SHOULD YOU LOOK FOR IN A GTM SOLUTION?

There are a number of factors to consider when choosing a GTM solution. Given the trends mentioned above, we will focus on only the three most important factors that will be essential in the long-term future.

### 1. Automation

For every international transaction, it is common for more than 20 parties to be involved, with over 30 documents that need processing for various stakeholders. As scale of deliveries expand, this figure becomes much higher, causing a strain on logistics departments. At the same time, they need to ensure that products are delivered on time, intact and within budget. A GTM solution can go a long way

in addressing some of these issues. It automatically creates documents for customs, licenses, performs compliance screening of third parties, etc, thus freeing up the logistics department to focus on more important tasks, such as better sourcing for suppliers and partners.

To achieve such seamless execution, it is essential that internally a business is integrated across departments such as logistics, procurement and finance. While at the same time ensuring integration with other suppliers and partners. A global trade management system should inherently and intuitively approach the complexities of multiple sourcing of goods at the product level.

### 2. Visibility

Supply chain visibility remains the holy grail of global trade management. Market analyst gartner recently conducted a survey of 259 senior supply chain executives to establish what their top priorities are regarding global trade management. Over 30 percent of respondents said that SC visibility and event management was their top priority, followed closely by strategic sourcing (about 25 percent of respondents).

With the advancements in technology, it is now possible to have real-time visibility on shipments and inventory levels, giving a business better control of costs. However, perfect visibility is only possible if all the relevant stakeholders are integrated tightly with each other.

### 3. Data analytics

Data is the supply chain industry's new oil. It will drive transformation of the industry, allowing businesses to gain a better understanding not just about their own business, but also about the markets they operate in. Information can be analysed at a product level, warehouse level or even transport type level. For example, a shipment of shirts going to three different countries will have a different total cost in each country after factoring in the transportation costs, insurance, duties and taxes associated with the respective deliveries.

We will also see businesses taking data analytics one-step further by extrapolating data to form statistical models and doing scenario analyses. For example, if we close our large distributions centre in country A and open 2 smaller distribution centres in countries B and C, what would be the implications? To achieve this level of sophistication and planning is possible through an integrated approach to global trade management.

## THE IMPORTANCE OF INTEGRATION

Most businesses generally already have some supply chain software in place, such as transport management, warehouse management and other things related when they decide to go with a GTM solution. The biggest challenge a business faces at this point is that the existing solutions are not integrated properly with the GTM solution, resulting in poor or incomplete visibility. For example, some transport partners are using the old TMS system while not integrated with the new GTM. Or the employees find that the existing solution works well and there is a reluctance to change to the new system.

Another common issue faced by businesses is cross-functional integration within the organisation. For example, a business is integrated with its partners and suppliers. However, internally, the finance and logistics teams work in silos, causing unnecessary delays. Unfortunately, this is a very common issue that businesses still face today and is ingrained by a hesitance to change.

Integration in the supply chain takes time but it is necessary that companies get this step right. Without complete integration, a GTM would not be able to provide the full benefits a business needs.

An integrated GTM process should automate critical applications for rates, routes and carriers while optimising costs from end-to-end, especially a process to identify and control exceptions that would impact the global supply chain (for example, if transport costs in country A skyrocket suddenly).

The seamless flow of information between internal and external partners through dashboards brings about an ideal platform for collaboration. Integration will result in full visibility, automation across departments and stakeholders, and also information to conduct a high level of data analysis.

How do you get the best out of your GTM? In AEB's experience, the most common reasons cited for a GTM 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 for how your business can get the best out of your global trade management solution:

### 1. Don't Forget The Big Picture

For any business, the key to any successful execution is to ensure that the big picture



[ An integrated GTM process should automate critical applications for rates, routes and carriers while optimising costs from end-to-end. ]

is kept in sight. What are the key objectives? Why are we launching this strategy? What is our expected ROI? It is very important to have a clearly defined scope of what to expect from a GTM solution, who is driving the programme and what resources are required to ensure it's success. A failure to do so can lead to ambiguity, and budget and time overruns. Businesses should work closely with their technology partners to ensure clarity and have an open communication on what the entire process will entail.

### 2. Integration

Communicate the benefits of integration with your suppliers and partners. If they are not on board or willing to integrate with your GTM solution then it is time to consider alternate partners and suppliers. Integration is the most important aspect in achieving any of the benefits of a GTM solution - automation, visibility and data analytics.

### 3. Tear Down Silos Through Cross-Functional Integration

For years, businesses have been operating in silos within their organisations. This arrangement prevents various departments from having internal visibility and from cooperating to form a unified supply chain. Essentially, critical information takes too long to reach the parties who need it the most and customer service suffers. We have encountered situations in businesses where different departments communicate with their customers for the same information without the information being shared between them. Businesses should focus on enforcing the same levels of service and response in-

ternally as it expects from its suppliers and partners. These can be done through regular KPI meetings and open communication.

### 4. Train Your Employees

Part of the challenge is to train internal staff (along with external partners) on how the technology works, how it should be used, and most importantly, what benefit it will bring to their work. More often than not, new technology is not adopted because of the mentality that the old solution works and there is an established comfort level. However, by communicating the flaws of the old system in comparison with the new system, we have seen businesses successfully and enthusiastically adopt the new GTM technology.

### 4. Assess And Reduce Risk

Once a GTM solution is set up, the next step is to identify risk areas in the supply chain through a thorough risk assessment. Which are the key areas of your supply chain? Where could a disruption bring things to a standstill? A business must have safeguards and "Plan B's" ready for the most disruptive scenarios.

While it is impossible to remove risk completely or even predict disruptions, a business should be able to quickly prepare alternate plans of action for possible disruptions. Regular training and scenarios for staff should be conducted to equip them with crisis management skills.

Also, to further mitigate risk, businesses need processes in place to assess partners, service providers and suppliers performances and conduct general background

checks. For example, if a partner has not made payments for six months, it will be flagged through the GTM solution and the business can make a decision whether to replace the supplier.

## 5. Optimise The Supply Chain

Cost control remains a key challenge faced by supply chain managers. Visibility gained through a GTM solution will uncover many bottlenecks in the supply chain. These are key avenues for optimisation and will make the supply chain more robust and reduce operational cost. The manpower resource freed from automating tasks can be trained and used as supply chain optimisers.

## 6. Study The Data

Many businesses fail to recognise that a GTM solution does not only execute the supply chain globally but also provides a perfect platform for transformation with a continuous relay of information. Making sense of the data is a challenge that many businesses suffer from and become victims from information overload.

GTM solution providers have started providing supply chain data analytic services where they work with businesses to make sense of the data and provide

recommendations on how best to improve the supply chain from end to end. 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 transformation in the supply chain and for major decision-making; for example, building new distribution centres.

## 7. Continuous Improvement Process

In addition to monitoring the supply chain in real-time, businesses must 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 and communication should be held between the supplier and client as to what issues are being faced and how to rectify them.

With this as a basis, a continuous improvement process (CIP) must be implemented not only externally with suppliers but also internally to monitor their performance. Every link in the chain must be tightly integrated and functioning together.

## GLOBAL TRADE MANAGEMENT IS AN EVER-MOVING TARGET

With the unprecedented increase in global trade expected over the next 10 years, businesses are well prepared to capitalise on the growth and establish themselves as global players. Most businesses already have some form of supply chain technology in place. They now need an overarching, integrated approach to look at the supply chain from end-to-end and be well poised to take advantage of the growth in trade.

Global trade management is an ever-moving target. The market conditions we witness today will change tomorrow. New considerations will come into play and new markets with unique features will open up. A GTM solution will give a platform for smart and agile decision making in order to reach these new markets as fast and successfully as possible and also be agile enough to make key supply chain decisions as problems are identified. This ability will be critical in seeing which businesses are most successful global trade leaders of the future. ■

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