

# Gaining a **COMPETITIVE EDGE** through preferential exports

Fast and compliant exports thanks to SAP®-integrated product classification and export controls

**E**rema, an Austrian manufacturer of recycling systems, uses AEB software to accelerate the proper classification of its components, manage supplier's declarations, and ensure compliance in its exports. Erema ships its systems with proofs of preferential origin, thereby securing the competitiveness of its exports. Software integrated directly into the SAP® system lets the logistics department respond proactively and ship orders without delay.

If you're wearing athletic undergarments or a jacket with a polyester lining, you're probably unaware that your clothing may have been made from old water bottles. "Polyester" on the label indicates polyethylene terephthalate (PET), which can be extracted from granules of recycled PET bottles.

The technology needed to make this happen is often supplied by Erema GmbH. The Austrian company manufactures plastic recycling systems and owns 111 patent families comprising more than 1,000 patents. Its customer base – waste collection and recycling

"...you're probably unaware that your clothing may have been made from old water bottles."

companies and manufacturers who themselves recycle plastic – is spread around the globe. Erema serves more than 70 foreign markets, with a focus on the United States, Europe, and Asia. Exports account for 98% of its business. About 60% of this volume goes to destinations outside the European Union, while 40% stays within the EU – primarily Germany, the United Kingdom, and Spain.

Each month, Erema ships about 20 new systems and another 900 to 1,000 consignments of replacement parts from its plant in Ansfelden outside of Linz. Revenues totaled €115 million in fiscal year 2013/2014.

To offer its customers the best possible service, Erema's management decided to issue proofs of preferential origin and administer all the data needed to manage such proofs. This

makes it possible for Erema to export the commercial goods and systems it develops and manufactures to countries such as Chile, Mexico, Israel, South Africa, and Switzerland with which the EU maintains preferential agreements. Erema's customers in these countries then no longer need to pay import duties.

"If we shipped without the declaration of origin on the invoice, the customer in Israel would have to pay import duties of 8% to 10%," explains Andreas Steger, Head of Logistics at Erema. "That's a lot of money for a system that costs €1.5 million. And even if they're ordering a replacement part for €10,000, customers are happy if they don't have to pay an extra €800 in customs duties." Many Erema customers have now come to expect that their orders will be shipped under preferential conditions.

Working with preferences entails a great deal of administrative overhead, however, especially when it comes to requesting and managing supplier's declarations. That is what led Markus Wurdinger from Erema's management to go looking for an IT solution that



would make the job easier for his employees. "We were familiar with AEB, since we had already been using their compliance solution. And since AEB's origin and preferences (O&P) and product classification modules can be integrated directly into SAP®, we decided to have AEB support these processes as well," explains Wurdinger.

### **All the information you need – at your fingertips**

Using the ATC :: O&P software has tremendous benefits for the logistics department – it can respond proactively and ship orders without delay. The solution alerts logistics workers early on if a shipment qualifies for preferences and whether a proof can be issued. Andreas

"Steger believes that Erema benefits from the solution through accelerated processing times, the elimination of shipping delays, and the ability to store data accurately and sustainably."

Steger is happy that his team is now able to plan ahead: "Before, we couldn't begin processing an order until it arrived in our department. Then it would sometimes take two or three

days until we had the right supplier's declarations and were able to ship the goods with a proof of preferential origin."

Today, employees no longer need to comb the shelves looking for the right binder or hunt for the right information. For every component and replacement part that Erema builds, the system knows whether a supplier's declaration (SD) is available. The system also knows which countries have preferential agreements in place. Whenever new agreements are signed or new countries sign on to existing agreements, the AEB data service automatically updates the software on the appropriate date and adapts the long-term SDs and declarations of origin

“Our employees no longer have to keep three windows open. Now they can work directly in SAP®. All they need to do is check and confirm the tariff headings that the software suggests.”

accordingly. Steger believes that Erema benefits from the solution through accelerated processing times, the elimination of shipping delays, and the ability to store data accurately and sustainably.

### **Faster material classification with ATC :: Classification**

Assigning the correct commodity code is the basis for calculating taxes and customs duties. Erema has a broad product portfolio and customizes its systems to its customers' specifications. A typical recycling system consists of 200 component groups and may incorporate up to 3,000 different material numbers. The master data in Erema's ERP system contains over 100,000 article numbers. Non-standard parts are reconstructed, designed,

and outsourced to external manufacturers. The result: 20 to 30 new materials a day that need to be correctly classified. Sometimes that's quite difficult, other times less so.

“A metal bracket can be classified in five minutes. Things get more difficult when you're dealing with complex parts such as pumps,” explains Steger. You need to look at the pump and determine how it is constructed and what its flow rate is. Sometimes it takes considerable technical expertise to correctly classify materials. When the logistics experts are unsure, they need to check the data sheets, ask their colleagues from the appropriate department, or even consult the supplier.

Since 2014, the logistics department at Erema has been using the AEB software ATC :: Classification to determine the right commodity code. It used to be necessary to search online through the electronic customs tariff, but with the classification software, all the information is now available directly in the SAP® system. The software provides a clear overview of all the materials awaiting processing and offers suggestions for commodity codes. “Our employees no longer have to keep three windows open. Now they can work directly in SAP®. All they need to do is check and confirm the tariff headings that the software suggests,” says Steger, pleased with the speed and simplicity that the software brings.

### **Export compliance**

For Markus Wurdinger, compliance is also high on his list of priorities. That's why he felt it was important that all employees have the software support they need to comply with export control regulations. The AEB software supports Erema on this front as well. “Even before they issue a quote, our sales team can check whether the destination country is under embargo, whether a license is required, and whether it's even permissible to do business with the potential customer,” explains Wurdinger.

Erema has a US subsidiary, so the US sanctions lists are included in the automated compliance screening. Andreas

“Even before they issue a quote, our sales team can check whether the destination country is under embargo, whether a license is required, and whether it's even permissible to do business with the potential customer.”

Steger is Head of Logistics and responsible for compliance at Erema. Two employees help him evaluate matches flagged by the software. On average, there are two or three matches per day that need to be checked.

Some of the matches turn out to be authentic, tells Steger: A logistics company was on a US sanctions list, and an import/

export company was on the EU Consolidate Financial Sanctions List (EEAS). In both instances, the customer was asked to work with another logistics service provider or intermediary, since Erema was not able to supply the company. Erema also uses the screening solution for manual inquiries, such as when it checks visitors or banks not stored in the SAP® system.

Erema protects its logistical processes by using the AEB software for export controls, product classification, and managing supplier's declarations. The logistics department spends a lot less time on administrative work and is able to send goods on their way more quickly.

## At a glance

<b>Customer</b>	<p><b>Name:</b> Erema GmbH  <b>Industry:</b> Systems engineering  <b>Employees:</b> 450  <b>Revenues in 2014:</b> €115 million</p>
<b>Background</b>	<ul style="list-style-type: none"> <li>• Management decision to issue proofs of preferential origin with exports</li> <li>• High administrative overhead for requesting and managing long-term supplier's declarations</li> <li>• Desire to simplify the task of managing preferences</li> <li>• Desire for support in classifying goods</li> <li>• Need to streamline compliance with export control regulations</li> <li>• Integration wanted within SAP® system</li> </ul>
<b>Solution</b>	<ul style="list-style-type: none"> <li>• Introduction of ATC :: O&amp;P</li> <li>• Introduction of ATC :: Classification</li> <li>• Introduction of AEB sanctions list screening and EU/US export controls</li> </ul>
<b>Result</b>	<ul style="list-style-type: none"> <li>• IT support for requesting and managing supplier declarations</li> <li>• No more delays in logistics</li> <li>• Compliant proof management</li> <li>• Data service that automatically updates agreements, country specific data, and rules of origin</li> <li>• Time savings through semi-automated classification of new material numbers</li> <li>• Product classification directly in SAP®</li> <li>• Export compliance</li> </ul>

[www.aeb-international.com](http://www.aeb-international.com) ■