Software in global trade: Facts and figures on automated, IT-based export management

Iqubal Pannu, Senior Solutions Consultant, AEB (International) Ltd, explains how software can boost global trade performance, improve productivity and reduce costs

The complexities of international export laws and regulations can have a profound impact on businesses operating in global markets. Violations can lead to the withdrawal of export authorisations and special privileges (e.g. simplified customs procedures), fines and even prison sentences. That's why it's crucial for businesses to play by the rules. Global trade compliance involves taking an end-to-end look at the supply chain and its flow of goods from origin to final destination including all steps in between, and for all parties, e.g. suppliers, internal departments, carriers, brokers and customers to collaborate and comply with applicable rules and regulations every step of the way, ensuring availability of all movement and authorisation records for the required duration.

The best way to ensure global trade compliance with all relevant regulations is to deploy an advanced software solution that automatically launches the necessary screening processes, identifies undesirable or illegal transactions and alerts users of applicable license requirements as well as embargoes against goods, countries or individuals. Updated and relevant regulations are referred to for each automatic check, including national, EU and US legislation.

The benefit of using software to manage export processes was even the focus of a 2011 study titled 'Globalisation: Linking Supply Chain Transformation to the Profit and Loss Statement' by the Aberdeen Group, a prestigious market research firm. It advises companies to take a closer look at three specific areas with great potential for efficiency gains:

Higher productivity: How automation pays off

International transactions can involve over 20 parties and over 30 documents that need processing for various stakeholders. An integrated global trade solution automatically generates picking orders and shipping and customs documentation and ensures compliance with license requirements. Automating export processes opens the door to significant improvements. According to the Aberdeen Group study, managing by exception reduces the need to verify compliance to fewer than 10% of all transactions. This in turn reduces the manual effort by 90%. Companies can realise productivity savings of up to 90% by saving 20–30 minutes of manual effort per export transaction. According to the study, eliminating the need to hire more staff can save $80,000–$100,000 per year, which is the equivalent of $40–$50 per hour, or approximately $15 per transaction.

Fewer errors and better overall legal safeguards

Manual processes such as checking sanctions lists are time consuming and error-prone. Using software can help to increase productivity and reduce error rates. According to the Aberdeen Group study, it can lead to a reduction of erroneous international orders to less than 4% (error rates typically range between 10% and 25%); a reduction in the number of license applications rejected by Customs to less than 0.6% (rejection rates typically range between 1% and 6.5%); and a reduction in the number of export shipments held at Customs for inspection to less than 0.7% (average exam rates range between 1% and 6.7%).

Cost reduction through in-house handling

Efficient in-house processes can make outsourcing superfluous and reduce costs. Tasks can be automated and processed in-house instead of paying external service providers for outsourced tasks. Take an example from the Aberdeen study: An electronics parts manufacturer is leveraging a comprehensive product master, workflow tools, and screening engines, which have enabled improved export productivity of 50% without the hiring of additional staff. The electronics part company has also reduced forwarder fees by an estimated 20%.

Bottom line

The key benefits of automating export processes are error minimisation, lower external costs, and above all, productivity gains. Manual processes that used to take hours can be reduced to minutes. IT support means staff only deals with exceptions and special cases. Unencumbered by administrative delays, they can focus efforts on their core tasks, improving relationship management, adding value, optimising performance and fine tuning strategy.

Effective, IT-supported compliance and risk management can be incorporated in live business processes with little investment and without workflow disruptions. The key to success is to go beyond mandatory requirements and to establish fully integrated electronic data exchange systems that ensure accurate data is available at the right time to the entire supply chain. Supply chain leaders use electronic customs integration to automate and streamline processes, thereby generating significant cost savings and increasing competitiveness while ensuring global trade compliance.

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