

Automated trade tools expand as software makers look for growth among cost-cutting companies

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The global economy may be moving in reverse but vendors of software that automates trade compliance processes are rolling out new products and services into what they call an expanding market.

In fact, Wayne Slossberg, vice president of sales at QuestaWeb, a Westfield, N.J.-based global trade management software provider, said the first three months of 2009 “was one of the best quarters we ever had.”

The growth is the result of the large cutbacks companies are going through to keep financially above water. As companies become leaner, he said, they are automating compliance processes that used to require a large head count.

More importers and exporters are concluding that trade compliance automation is as important as the other automated tools they already use for such functions as supply chain visibility, warehousing management and enterprise resource planning. For importers and exporters, compliance software “is the antidote for a recession,” said Nathan Pieri, vice president of marketing and product management at Management Dynamics, “because it helps companies lower their costs.”

Montreal-based Logical Properties is trying to do that with its 3CE HS Classification product. At its best, the software enables even companies that have no in-house expert in Harmonized System commodity classification to instantly classify products, error-free.

Randy Rotchin, CEO of Logical Properties, said many companies overpay duties because they classify their imports inaccurately. The complexities of the HS system are mind-boggling, he said. “It is almost impossible to do,” unless you are a specialist. Search for the right HS classification for a shipment described as “woven ladies raincoat, waxed cotton,” for example, and you won’t find the words “woven” or “raincoat.”

The right HS code you should be looking for covers any “article of apparel not knitted or crocheted; garments made of heading 5602, 5603 ...”

Likewise, in the HS, toothbrushes are categorized as “miscellaneous manufactured” goods, but electronic toothbrushes are “electromechanical domestic appliances.”

Licensed 3CE HS Classification users log in and keep it open on their desk as a reference tool that makes sense of the sometimes impenetrable and unpredictable government program, Rotchin said. The U.S. International Trade Commission’s search engine, for example, categorizes “bushings” (fittings) under “trees and shrubs.”

Rotchin says the Logical Properties system uses artificial intelligence and was developed by linguists, mathematicians and ontologists (philosophers who specialize in analyzing categories) over several years. Depending on their needs, users of 3CE can integrate custom compliance into manufacturing and order processing systems, perform post-entry auditing of commodity classifications to identify specific transactional discrepancies, and verify the classification efforts already performed by third-party service providers or their own employees.

The automation of customs information is leading software vendors to look for more opportunities in that area, as well.

In April, QuestaWeb, which provides “TradeMaster” Web-based integrated software, became the first vendor to integrate Customs’ Automated Commercial Environment and Automated Broker Interface programs. That allows QuestaWeb to transmit and receive data about the shipments of its TradeMaster customers through a direct electronic interface with U.S. Customs and Border Protection.

“This opens up the view for them to see what is going on in real time,” Slossberg said.

The ACE system also generates 125 different types of reports for shippers who use the compliance software. For example, an importer can see how much duty was paid either in advance to reconcile financial records. “ACE helps with compliance,” Slossberg said. “It also helps companies calculate their total landed costs, and it provides greater visibility.”

To improve cash “float,” importers also can opt to automatically pay the duties they owe on the same date each month. “They can keep their money through the end of the month, and manage their working capital,” Slossberg said.

This kind of software can be configured to meet the needs of smaller companies, Slossberg said, and those have limited experience using trade compliance software. “You can reconfigure easily if your business processes change, and you can handle multiple divisions if they have multiple business processes,” he said.

Management Dynamics’ Pieri says attention to smaller companies is a major driver of the new software initiatives. Even though much of the volume of U.S. export shipments is weighted toward large companies, there are more than 200,000 exporters in the U.S., most of them small businesses. Most don’t use trade compliance software.

“Companies of all sizes need compliance,” he said. “All companies play by the same rules. We need to make it easy for them.”

Management Dynamics released its Web-based Export On Demand compliance software in April with an eye toward scaling functions down to those needed specifically by smaller

companies.

Pieri said many small companies apparently are intimidated by the complexities and costs of trade compliance software. Management Dynamics' new product provides only those capabilities it believes small companies need.

The company surveyed small companies about their needs, and came up with what Pieri considers "the right bundle of requirements. The software doesn't need to do as much." Like QuestaWeb's TradeMaster, Export On-Demand is designed to be easily "configurable," so new users can dip their toes in the water, one step at a time.

Export On Demand can be adapted to each company's business processes and its level of technological sophistication. Pieri said the new tool will work even if a company's compliance staff manually keys data into the software. A company can also begin by using spreadsheets, and then toward more sophisticated tools such as XML.

The essentials remain the same as in more ambitious compliance software from Management Dynamics: Export On Demand creates a centralized compliance database, consolidating all corporate information about compliance in one electronic database so that everyone in the company can see all of the information in the same uniform format. That database includes all the information the company needs to collect about each product, including all HS classifications.

Like more ambitious compliance software, Export On Demand also matches information about each product against other databases containing information about restricted parties to check if any licenses are required for each shipment. If so, the system automatically puts the shipment on hold. "It manages processes by exception," Pieri said.

Ordinary transactions that don't require manual intervention are automated, while the exceptions are identified so they can be addressed individually. The technology determines which documents are required, generates those documents, and automatically distributes them to everyone who needs them in every department of the company.

"This does all the normal things so that people can spend more time on critical issues," Pieri said. "It frees the staff to outreach within the company. Many people don't understand how important it is to do compliance."

Freed from the manual drudgery of manually handling compliance, members of the compliance department can spend time convincing others in the company about the importance of trade compliance. Other departments in the company need to know that when a company is not in compliance it can lose its export privileges and seriously damage its brand, Pieri said.

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