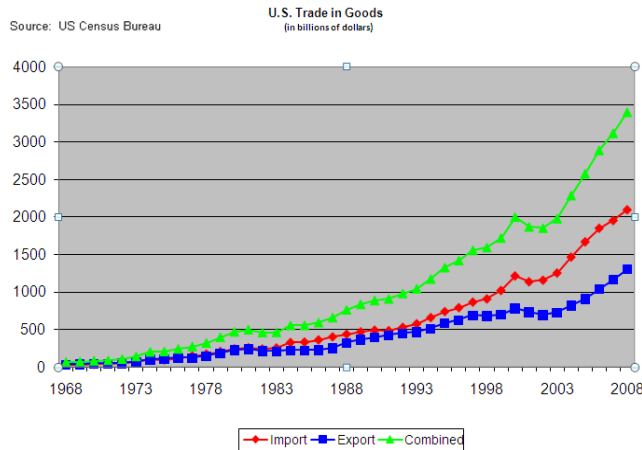


The Optimize Solution™ - Dependable Knowledge Drives Process Improvement & ROI in Global Sourcing

By Matt Gersper

While no one likes economic down-cycles, they do serve the useful purpose of exposing unacceptable hidden costs in business processes that often remain unnoticed during periods of prosperity. How one reacts in a down-cycle can determine whether a business emerges stronger and prepared to maximize the up-cycle opportunities that inevitably lie ahead or becomes



crushed by the weight of the down-cycle itself. Since global sourcing is in a long-term growth cycle, investing now to optimize Product Lifecycle Management (PLM) and sourcing processes can provide fast and significant returns on your investment.

Inadequate global sourcing processes may cost you more than the costs of inefficiencies hidden in your company financials. The U.S. government is increasing trade enforcement and revenue collection efforts during these tight

budgetary times. U.S. Customs & Border Protection (CBP) is aggressively increasing oversight by utilizing sophisticated technology and levying dramatically larger fines and penalties. Does your company have systems and processes in place to know more about your global trade data than the government does?

The Optimize Solution™

“Dependable knowledge drives everything,” notes Nancy Johnson, founder and CEO of Optimize LLC (nancy.johnson@optimize.com), an advisory services firm whose Optimize Solution™ guides companies to achieve a strategic approach in order to reduce redundancies and waste and improve the way products are created and managed.

“Integrating best-in-class technology, data management and process best practices accelerates speed, eliminates unnecessary costs and improves bottom-line profits,” Johnson explains. “Most companies,” she says, “take a silo’d approach, without enough coordination or strategy employed in the early stages of product development. Technology investment and commitment is often missing as well.” It’s critical, Johnson believes, to involve technology partners, content providers and industry experts early on to streamline sourcing activities and effectively manage the product lifecycle.

“I deal with many companies,” Johnson says, “in which compliance and trade managers never interface with product management or product development to make informed decisions.” “And in cases where people do talk,” she adds, “data and systems integration is often inadequate or missing altogether.”

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Integrate Data Early

“Use data to make superior decisions and create competitive advantage,” advises Johnson. “Global trade data includes external content about the different countries you trade with and about your competition as well as internal content about your own business and the items you’re managing,” she says. When you integrate and evaluate global trade data over the lifecycle of the product, you create dependable knowledge much earlier in the process. With the Optimize Solution™, data works for you rather than you working for the data.

As soon as product development begins, enough information exists to evaluate the item and assign a target Harmonized Tariff Schedule (HTS) classification code. Once an HTS is assigned, a whole host of critical data can be automatically linked to the item, allowing for more informed and superior decisions.

My companies, Global Data Mining (GDM) and CUSTOMS Info (CI), provide enterprise solutions to help businesses optimize Global Trade Management (GTM) and PLM systems to streamline global trade automation. Your system can be automatically populated with the full HTS description, column one duty rate and list of Free Trade Agreements (FTAs) that can reduce or eliminate your duty.

| CUSTOMSinfo | | | | | | |
|--------------|-----------|--------------------------|----------------|---------|-------------|-------|
| Home | CI Search | Research Tools | Global Tariffs | GistNet | Trade Tools | ECCN |
| #403 51 90 | | For men, youths and boys | | | | 25% |
| | | For men | | | | |
| #403 21 0015 | | With pliable upper | | | FTAs | 0.00% |
| #403 51 9010 | | Other | | FTAs | | 0.00% |
| #403 21 0020 | | Other | | FTAs | | 0.00% |
| #403 91 90 | | For other persons | | | | 25% |

My team works with importers to acquire and integrate their own transactional import data that is captured by CBP. Imagine your own historical import data automatically populated within your PLM system, including last year’s actual volume of this HTS classification and the actual effective duty rate paid to the U.S. government. With this information you can make more informed sourcing decisions.

Reduce Duty Spend

I have witnessed that sourcing decisions are often made without any consideration for duties and taxes. Suppose you had dependable knowledge that repeating last year’s decisions would cost you a 10% disadvantage on import duty compared with your direct competition for an important and high volume product line. The Optimize Solution™ delivers this level of dependable knowledge.

GDM acquires and maintains data about all U.S. importers for every U.S. HTS code. This data can be configured to automatically populate your PLM system as soon as you have assigned an HTS code—without a single additional key stroke.

Your system can also be populated with the complete list of sourcing countries for that HTS item, with total volume and effective duty rate imported from each country. Now you have, right

| Country Name | Global Value \$296,388,816,006 | Total Value | Global Value % | Global Duty \$12,119,378,364 | Derived Duty % |
|--------------------|-----------------------------------|---------------|----------------|---------------------------------|----------------|
| Dominican Republic | \$3,157,448 | \$201,111,307 | 1.57% | \$0 | 0.00% |
| Canada | \$201,111 | \$201,111,307 | 0.10% | \$0 | 0.00% |
| Mexico | \$120,667 | \$201,111,307 | 0.06% | \$0 | 0.00% |
| Australia | \$0 | \$201,111,307 | 0.00% | \$0 | 0.00% |
| Croatia | \$20,111 | \$201,111,307 | 0.01% | \$33 | 0.94% |
| China | \$197,290,192 | \$201,111,307 | 98.10% | \$630,403 | 10.00% |
| Romania | \$321,778 | \$201,111,307 | 0.16% | \$1,024 | 10.00% |

at your fingertips, the ability to use data to outthink and outperform your competition. And that’s still not all. Another data source can

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identify and qualify specific suppliers of that product from all around the globe. Now you're really beginning to let data work for you!

Reduce Supply Chain Risk

Panjiva (<http://panjiva.com>), an Optimize Solution™ partner, specializes in sourcing data that allows companies to search for and qualify suppliers in specific countries by product category. Panjiva also conducts "health checks" on existing vendors and suppliers. This knowledge, when captured early in the process, gives you negotiating power or a heads up if a supplier may be at risk.

The deKieffer & Horgan law firm and CI, both Optimize Solution™ partners, maintain databases of sanctioned parties, counterfeiters and diverters. This important data can be used early in the process to screen out potential suppliers of dubious character or worse.

Optimizing™ the Data

"Once you've sourced your prototypes and are getting costing back for the first time," says Johnson, "you need to know immediately whether the costing is advantageous or not." If you have to review multiple spreadsheets to come up with individual as well as group costing scenarios, she notes, you're wasting time—and time is money.

"By integrating critical information automatically to each and every product record, you can spend your valuable time and expertise evaluating the data and outthinking your competition," she explains. "An added benefit of building your information early and steadily over the lifecycle of the product is more accurate and complete information to fulfill the new 10+2 Importer Security Filing regulations for importers," adds Johnson.

"Business information can and should be used to outperform rivals," Johnson points out, "and there's no better way to do that than by using analytics to make superior decisions."

U.S. Importer Case Study

Optimize and GDM recently collaborated with a sportswear company that imports \$150 million annually. We helped them to acquire and analyze their import data. It took 6 weeks and

FINANCIAL OPPORTUNITIES

- \$1.5 million is currently being saved annually using trade agreements and special preferences to reduce duty spend.
- \$2.7 million could have been saved if the company had operated in a Foreign Trade Zone last year—net of all costs
- \$9 million was identified as potential savings from shifting more sourcing to existing suppliers with trade agreement benefits.
- \$4 million was identified as potential savings if this company performed as well as its average competitor regarding duty spends.
- \$15 million was identified as potential savings from re-sourcing to global suppliers outside their existing supply chain with trade agreement benefits.
- \$5 million in potential savings for renegotiating finance terms with global suppliers.

\$350 to acquire the data from CBP and another week and \$5,000 to process their data into hard-hitting analytics to assess current performance, develop targeted strategies to improve global trade processes and financial performance, and free literally millions of dollars in cash from their supply chain.

The company received 10 financial opportunity reports, seven Red Flag analysis reports to help them identify risk in their supply chain, 22 reports to help them identify trends in their import operations and 5 Port Summary reports.

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Constant Change Requires Dependable Knowledge

When is the last time you did serious analysis on the optimal location to manufacture your products? If it wasn't recently, your knowledge may not be reliable. Globalization is continually reshaping supply chain scenarios across global markets and creating dynamic shifts in sourcing advantages.

For example, McKinsey & Co recently analyzed goods manufactured for the U.S. market and mapped them to the optimal region to manufacture them in 2003 versus 2008 (see accompanying table). The study compared China (offshore example), Mexico (near shore example) and the United States relative to five types of goods: High End Servers, Ethernet Switches, Mid Range Servers, Assembled TV's and Mid Range Copiers.

| | Preferred location | |
|------------------|--------------------|--------|
| | 2003 | 2008 |
| High End Server | China | China |
| Ethernet Switch | China | Mexico |
| Mid Range Server | China | Mexico |
| Assembled TV | Mexico | USA |
| Mid Range Copier | Mexico | USA |

You may be as surprised as I was at what they discovered: the United States—despite all we hear in the media—is increasingly competitive. And this unprecedented shift has taken place in just five years! It's hard to imagine a better illustration of how fast the global landscape is continually changing—and why your company needs a solution that leverages dependable knowledge to optimize™ your global supply chain *now*.

Matt Gersper (mattgersper@gdmlc.com), founder and president of Global Data Mining and co-owner of CUSTOMS Info, has over 20 years of experience optimizing processes and helping customers turn unorganized data into information that managers and executives can leverage to improve performance.

CUSTOMS Info and Global Data Mining (CI/GDM) provide enterprise solutions to help businesses optimize Global Trade Management (GTM) systems and streamline global trade automation.

CUSTOMS Info provides the World's most comprehensive trade data repository delivered via web-based subscription or as data to populate any GTM or Landed Cost application. Global Data Mining builds state-of-the-art parts master classification databases to support automation projects and reporting requirements utilizing the proprietary Global Trade Desktop™—a secure, collaborative web-enabled HTS classification system for all trading partners across the globe.

No other company focuses more on trade data, HTS classification support and landed cost services than CI/GDM—serving nearly 1000 companies worldwide with our fastest growing segment specializing in international ecommerce automation.
